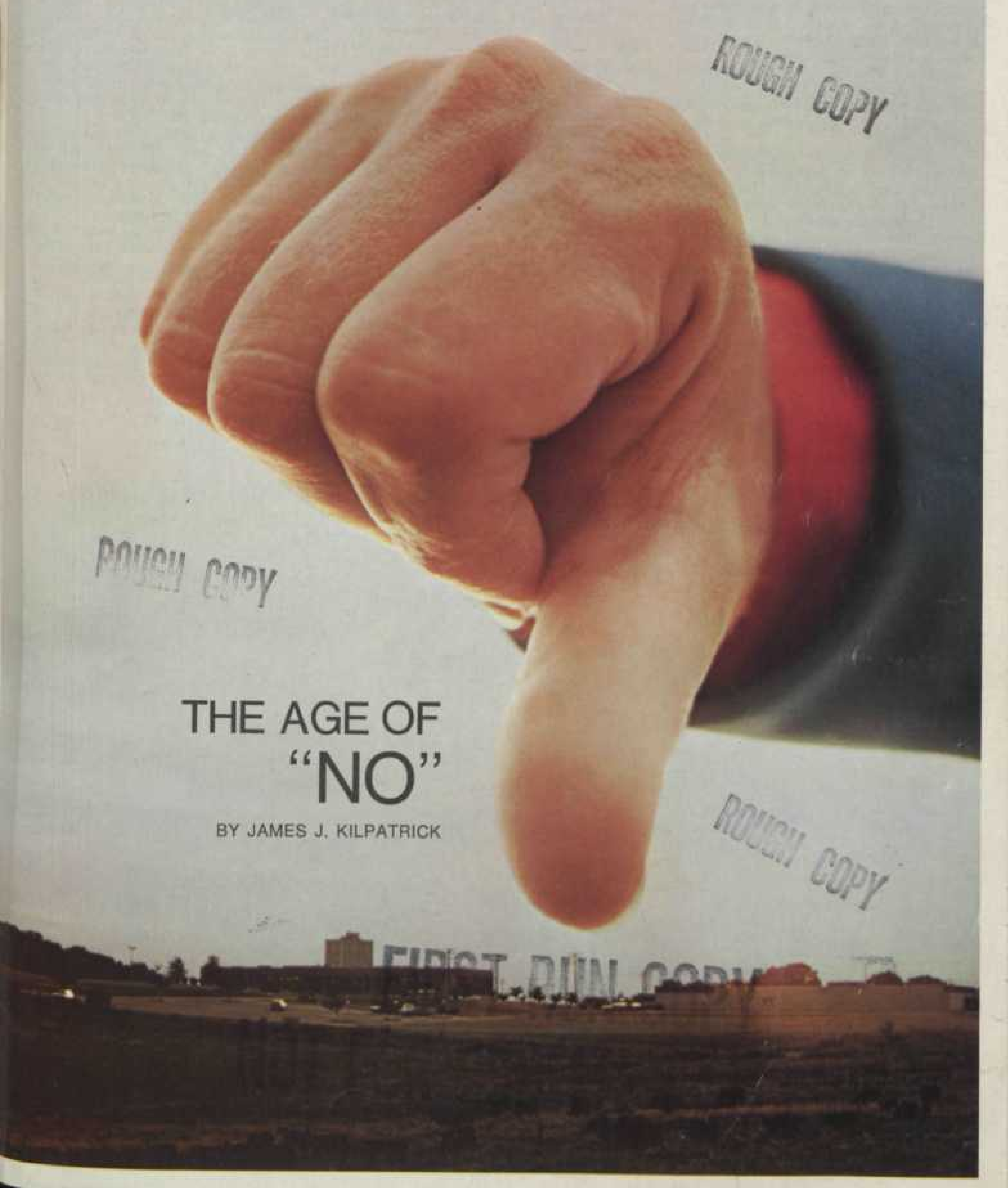
A USEFUL LOOK AHEAD FROM WASHINGTON

SEPTEMBER 1972

Nation's Business



THE AGE OF "NO"

BY JAMES J. KILPATRICK

When Jaguar XJ6 was named by *Road & Track* magazine as one of the ten best cars in the world, it came as no surprise to us.

That is *exactly* what we intended. We sought *excellence*–a rare quality in today's production-line world.

COMFORT

In a showroom, virtually every car is comfortable. Many makers use "showroom impression" as one of their criteria. Comfort is far more elusive, however, after a half-dozen hours at 60 or 70 mph.

That's why the seats of the XJ6 are designed to support the human anatomy at four vital points. Instead of being engulfed by the seat, you are supported by it. Correctly. Firmly.

A mark of the seats' interior construction is revealed by their exterior–you sit on first-grade English leather, hand-cut, hand-fitted and carefully matched for grain.

The fascia is hand-finished in gnarled walnut. It houses an array of instruments arranged with superb logic. A slight dip of your eyes reveals your road speed, engine revolutions and warning lights. A glance to the right scans your ammeter, oil gauge, transistorized clock, temperature gauge and fuel gauge–all in a neat row.

Below are ten rocker switches – the controls for your auxiliary systems – lined up like dominoes.

The interior is richly endowed with convenient pockets, boxes and shelves. The glove box contains a vanity mirror.

RIDE AND HANDLING

One of the old saws in automotive circles is that you can't achieve a smooth, comfortable ride *and* have a superior handling car.

The Jaguar XJ6 has laid that bit of engineering folklore eternally to rest.

Witness: *Motor Trend*, Dec., 1971. ". . . take a peek at tomorrow and promote a ride in an XJ6, the ride and handling and basic construction put it in a class by itself."

Indeed, the XJ6 *is* in a class by itself. Independent front and rear suspensions let each wheel suffer the jolts and jounces of the road surface independent of the others.

And, in addition, we have "suspended" our suspension systems on steel sub-frames, to avoid the transmission of vibration and harshness to the passenger compartment. Result: the driver and passengers are completely isolated from the vagaries of the highway.

And power assisted rack-and-pinion steering not only gives you instant response, but also a proper "feel" of the road.

The net effect is the feeling that something good has happened to the road itself. And that curves have become crisp, clean, unwavering arcs, negotiated with grace.

PERFORMANCE AND SAFETY

We believe the subjects of performance and safety are two sides of the same coin. Any car that can whisk you straight as an arrow from 0 to 60 should be able to bring you back down to a calm, dignified stop, just as smartly.

Our performance going up the scale is generated by a 4.2 litre, twin-overhead cam, six cylinder engine. Race-designed and proven, it powers the 3,830-pound Jaguar XJ6 from 0 to 60 in a little under 11 seconds.

That's why the XJ6 has power-assisted *disc* brakes. Four to be precise. 11.2-inch ventilated discs on the front wheels. 10.4-inch discs, mounted in-board, on the rear. Combined with "anti-dive" geometry of the front suspension, they give you stopping ability that's sure, straight and quick.

The center section of the body is immensely strong, while the front and rear ends are designed to deform progressively and absorb the energy of an impact. We even tuck the fuel lines into the structure to minimize the chance of rupture.

There are burst-proof locks on all doors, in the rear we add child-proof latches.

TOLL-FREE INFORMATION

For dealer location or overseas delivery information, call (800) 631-1972. In N.J., call (800) 962-2803. And do schedule enough time to thoroughly examine one of "the ten best cars in the world." Considered by many, "the one best" in its price category.

JAGUAR XJ6.
It reflects the pursuit of excellence abandoned by many for the sake of expediency.

Nation's Business

Cover photograph by Barry Blackman

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Memo From the Editor

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If you are confused by all the talk about "tax reform" and share-the-wealth proposals, don't feel too bad. A lot of the politicians seem to be confused, too.

It has been many years since share-the-wealth schemes were talked about as much as they are now. One of the supporters in the old days was the late Sen. Huey P. Long. There's a story about him, which may or may not be true. He's supposed to have joked privately that it really didn't make too much difference whether there was wealth-sharing or not.

The reasoning was that, even if you divided all the money in the country equally on a Friday night, so many irresponsible people would blow their share over the weekend that a lot of it would be back where it started Monday morning.

So, Sen. Long is reputed to have felt that the process might have to be repeated every week or so.

• • •

Of course, today's money-sharing proposals are not a joking matter.

One of the ways they would be accomplished would be through some of the so-called tax reform programs. Like Robin Hood, government would take from the rich and give to the poor. Or really, take from the middle income guy and give to the poor. Because when you get right down to it, the rich just don't have enough to spread around to everybody.

We've been puzzled by some of the proposals and thought we should get the facts for ourselves and for you.

The facts are interesting and startling. You'll find them in the article beginning on page 25 as reported by Associate Editor Bob Gray on the authority of Edwin S. Cohen, Under Secretary of the Treasury and its No. 1 man on tax policy.

One of the charges you hear these days is that some of the biggest corporations have paid no federal income tax in some recent years. In some cases, that's true. Corporate income taxes are due only on profits and some corporations have had no profits in recent years.

There's also a charge that some businesses don't pay their "fair share" of taxes in general. Refuting this, Stewart S. Cort, chairman of Bethlehem Steel Corp., notes that his company's taxes over the past 10 years have averaged $37 million a year more than its net income.

"Our total tax expense was nearly $200 million last year," Mr. Cort reports.

Business pays all kinds of taxes. There are any number other than the federal corporate tax. There are state and local real estate and licensing levies, unemployment compensation—and, of course, the employer's share of Social Security.

If you think Social Security takes a big bite out of your pay and your company's budget for your employees, you ain't seen nothing yet. The new law that Congress passed just a few months ago will increase the maximum payment for employer and employee each from this year's $468 to $594 next year and $660 the next. Ten years ago it was $174.

You can get all the details on how it will affect you and your company in the article beginning on page 34.

• • •

It seems to an innocent bystander that some of these things are almost anti-Establishment. These days, there seems to be so much sentiment against what we have always believed in the past.

Since this is really a sort of philosophical kind of question we asked a philosophical kind of writer, Columnist James J. Kilpatrick, whether he would be willing to assess it for us. He did, and the result is the beautifully written article beginning on page 38.

Many of you are probably familiar with Mr. Kilpatrick's writing from his column, "A Conservative View," which appears in about 250 newspapers. And many of you have probably seen him on network television programs.

PHOTO: KEVIN KILPATRICK

He's perhaps a bit more relaxed at home on his farm in the Blue Ridge Mountains in Virginia (see photo). Unfortunately, we couldn't get a picture of the bird he writes about in the opening of his article. It apparently killed itself, fighting itself.

We can learn a lesson from that bird.

Jack Wooldridge

Have you discovered the "other Wausau?"

The Wausau Story.

Mention our name to a group of businessmen and most of them will quickly identify Employers Insurance of Wausau as a leading source of workmen's compensation insurance. And rightly so. It's the field we pioneered. But our giant reputation in this specialty has been a mixed blessing.

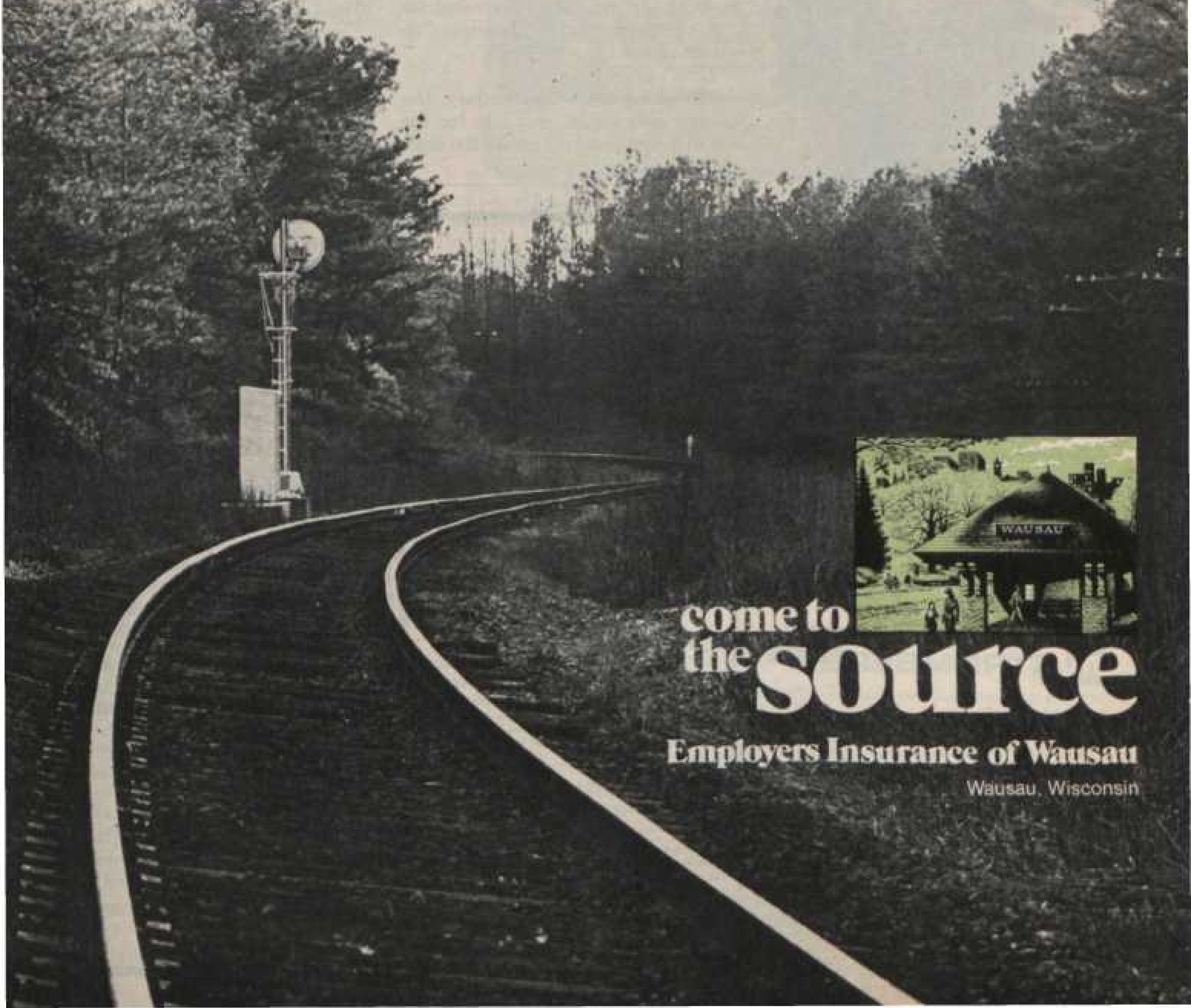
When you're a star in one field, it's hard for people to believe you're equally good at other things. So we're anxious for you to know the "other Wausau"—the Wausau that can help your firm in a *lot* of ways.

As a property insurer, for example. We've been insuring the property of America's businesses for 37 years. And today, there are few all-lines insurance carriers with property capabilities equal to Wausau's.

As a source for business life insurance, too. Six-year-old Employers Life has already passed *one billion dollars* of insurance in force—a milestone that many much older life insurance companies haven't yet reached.

The point is, when you say "Employers Insurance of Wausau," you're really covering a lot. You're talking about a property insurance company, a life insurance company and a liability insurance company. All together, an insurance organization that's a specialist in just about every kind of business insurance that just about any kind of business is likely to need.

And that's some kind of specialist.



Letters

In Defense of OSHA

• I was a little surprised to read the article, "Where the Safety Law Goes Haywire" [June].

In giving credence to rumors, misinformation and unsupported statements, your article paints an incomplete and inaccurate picture of what is being done to assure safe and healthful workplaces for 60 million employees, including those in the construction industry.

I am sure we are in complete agreement in supporting the objectives of the Occupational Safety and Health Act of 1970.

Your article implies, however, that the standard-setting and inspection provisions of the Act should be softened or perhaps even eliminated for the building industry because "its safety record is pretty good."

I can't agree.

That innocuous little injury frequency rate which you cite for the construction industry masks the more dramatic and agonizing fact that an estimated 2,800 workmen were killed and another 240,000 injured in construction in 1970.

While I'm on the subject of injury frequency rates, you should know that National Safety Council data is based on reports from its members only, and their safety records are generally better than non-NSC members.

The Bureau of Labor Statistics' data, which covers both NSC members and nonmembers, shows an injury frequency rate of 26.5 for 1970—about double the NSC rate.

And the construction industry's rate is well above the rate for all manufacturing.

Your article also misses the mark in talking about the economic impact of the Act.

An objective analysis should consider many factors, not just rough estimates of the incremental cost of

providing adequate safety protective equipment.

These factors include the cost of injuries and illnesses in terms of lost production (roughly 250 million man-days a year) and workmen's compensation.

Your point about safety and health standards is more accurate: They are voluminous and some, at least, are complicated. The standards your article cites are, for the most part, "consensus standards" which the Act required should be promulgated "as soon as practicable."

A very tiny portion of this initial package of standards does not relate directly to employee safety and health. These standards, including those dealing with guardrails and ice in drinking water, are being reviewed and amended.

GEORGE C. GUENTHER
Assistant Secretary of Labor
Occupational Safety and Health Administration
United States Department of Labor
Washington, D.C.

Now come minicomputers

• The letter by Mr. Myles, entitled "Computer Found Costly" [August], brings to light something that needs amplification.

Mr. Myles apparently had unpleasant experiences with two separate computers in trying to computerize his operations.

From the tone of his letter, the approach he tried was to "put his eggs in one basket"—that is, his company used a large, centralized computing facility for all operations.

This is not always the best approach to take.

Besides the large computers, medium-size and small computers and computing systems are available from a number of manufacturers.

The small computers, or "minicomputers," can perform sophisticated routines, even in fairly inexpensive configurations.

In fact, prices of minicomputers start at about $4,000; a typical business-application minicomputer system would cost from $30,000 to $50,000 complete—hardware, programs and training. Unlike a rental system, the minicomputer becomes the capital property of the owner.

There are important reasons why

Letters *continued*

minicomputers are especially useful in many of these applications.

For one, minicomputers are considerably more rugged than larger computers, and so may be put "where the action is" rather than being limited to a single environmentally controlled room.

Also, since minicomputers are substantially less expensive, a company can afford to acquire several over the course of a few years.

Mr. Myles noted that when his centralized computer broke down, his entire corporate output stopped. Several minicomputers distributed around his operations would have prevented this.

Please do not misunderstand—large computers have their uses, too. But sometimes a minicomputer system, or systems, constitute a better approach.

STEPHEN A. KALLIS JR.
Associate Manager, Editorial Services
Digital Equipment Corp.
Maynard, Mass.

High rise benefits

• Re your August issue article by Fred D. Lindsey setting forth some of the weekly extra benefits for workers in various industries.

You made no mention of the construction industry, but I thought you would be interested in some of the figures pertaining to unionized construction in New York City.

The figures I give you are predicated upon wage rates in effect prior to a recent strike and do not include employers' expenditures for Social Security, unemployment insurance, etc., and workmen's compensation insurance.

They represent only those costs for which the employer serves as a conduit for payment into various union funds.

Following are a few samples based upon a weekly workweek without overtime:

Bricklayers, $132.65; carpenters, $94.05; cement masons, $106.40; electricians, $78.00; operating engineers, $84.50, plus 11 paid holidays; structural steel workers, $127.00 and steamfitters, $102.50.

BERNARD J. ROSEN
President
Caldwell-Wingate Co., Inc.
New York, N.Y.

Santa Fe serves the nation with a complete transportation system

Santa Fe can do a transportation job in many ways—by rail, truck, air and pipeline.

Our rail service covers 13,000 miles, reaching from the Great Lakes to the Pacific and Gulf Coasts, with run-through freight trains over connecting railroads providing fast, direct freight service coast-to-coast!

Our modern fleet of 70,000 cars, 3,800 piggy-back trailers and containers move nationwide carrying foods, manufactured goods, grains and many types of raw material.

Santa Fe's truck operations covers 17,000 route-miles in the Midwest, West and Southwest to expedite truck, piggy-back and container service.

By air, we forward freight throughout the United States and major international points via Santa Fe Air Freight Company.

Pipelines are a growing part of Santa Fe's transportation system, too. Gulf Central Pipeline moves anhydrous ammonia fertilizer from Louisiana through an 1,800 mile network to mid-U.S.A. farmlands. Chaparral Pipeline transports natural gas liquids across Texas and other petroleum pipelines serve Amarillo-Clovis and Los Angeles-San Diego.

To keep our transportation system up-to-date Santa Fe spends over $100 million per year, one billion in the last 10 years; two billion since World War II.

In addition to transportation services, we also offer the products of oil development, lumber, mining and plant site and real estate development on 48,000 available acres of Santa Fe land, as well as hundreds of private sites at other locations we serve.

Count on Santa Fe for swift and dependable service in all these ways!

ALWAYS ON THE MOVE
TOWARD A BETTER WAY

Santa Fe

Executive Trends

BY JOHN COSTELLO
Associate Editor

Getting yourself on the board

You need a track record if you hanker to be on a board of directors.

That's what one survey suggests.

Lamalie Associates, Inc., Tampa, Fla., executive searchers, polled 578 board members of 46 top industrial firms—selected for high rate of return on equity or per share growth of earnings.

Among other things, they were asked: "Why were you picked for the board?" Here are the major reasons given:

	Per cent
• Proven operational and administrative experience.	23.7
• Hold job as executive of the company, a subsidiary or division.	14.5
• Special knowledge of the company.	10.5
• Judgment and objectivity.	10.5

"What that means is this," says President Robert E. Lamalie.

"You must get visible—get a reputation—before you're tapped. At least, 38 per cent of those on the board had done so.

"They had held a top executive job, or done well in some other operations or administrative slot."

Is this the best way to pick directors?

Apparently not—at least in their own opinion. Board members were also asked:

"What do you think is the most important personal or business attribute for a new director?"

Here's how they replied:

	Per cent
• Broad business experience and knowledge.	28.8
• Judgment.	10.6
• Special experience or knowledge, such as finance or marketing.	9.4
• Breadth of view.	5.6
• Various other.	45.6

Says Mr. Lamalie: "Board members feel individual characteristics are more important than a director's business background or reputation. Intelligence and independence rate far higher with them.

"In fact, their evaluation of each other isn't too flattering."

Why?

"Because they say today's boards have too many prestige names, and too few hard workers."

White collar wages climb

Nationwide, secretaries' pay has taken a big jump.

On average, it was up 6.6 per cent last year over 1970, according to Labor Department statistics.

The average of stenographers' pay increases topped the Pay Board's 5.5 per cent guideline, too. It rose 7.5 per cent. Even typists' pay checks were 6.1 per cent fatter on average than in 1970.

Here's a detailed Labor Department breakdown:

	Monthly salaries	
	Average	Median
Clerks, accounting I	$467	$450
Clerks, accounting II	600	585
Clerks, file I	366	355
Clerks, file II	403	390
Clerks, file III	485	465
Keypunch operators I	456	435
Keypunch operators II	519	508
Messengers (office boys and girls)	404	391
Secretaries I	555	550
Secretaries II	620	615
Secretaries III	669	660
Secretaries IV	724	710
Stenographers, general	494	480
Stenographers, senior	555	547
Typists I	418	409
Typists II	483	469

Read and destroy.

Them as has—gives

Who are the most generous Americans?

Those in the $100,000 a year class—and up.

That's what the latest study shows.

"Their gifts to churches and other

New LifeVestor gives them a bigger carrot that ends up costing you less.

It's easy to fatten up your employee benefit program by spending more money. Lots of companies can do that for you. Including us. But if you'd like to pull a coup, and increase benefits while reducing your long-range costs, Ætna's new LifeVestor Plan should really grab you.

It's got two beautiful things going for it. Not only should it drop your term insurance costs over the long haul. It also provides an equity investment for your employees.

Plain and simple, it's a two contract deal. A group term life insurance contract that you pick up the tab for. And a group variable annuity contract that employees carry. What they put in buys them a lot of goodies. With permanent LifeVestor units that reflect the market progress of their investment fund. Not only that, but these units come complete with life insurance values, and cash and annuity values, too.

Quite a package. For everybody.

LifeVestor shines in a lot of other areas. Too many to get into here. But your Ætna group representative, broker or consultant knows them cold. Talk to him, your financial man will love you for it.

Not available in all states

OUR CONCERN IS PEOPLE

Ætna

LIFE & CASUALTY

philanthropies averaged $13,553 in 1970," says a spokesman for the American Association of Fund Raising Counsel, Inc. "That's 7.25 per cent of their adjusted gross income. The average for all Americans was 2.9 per cent."

Here's what others in the executive income brackets gave. All figures are based on itemized tax returns sent to Internal Revenue Service.

Income	Average gift	Per cent of adjusted gross income
$10,000-$15,000	$313	2.46
$15,000-$20,000	$412	2.38
$20,000-$25,000	$557	2.48
$25,000-$30,000	$694	2.51
$30,000-$50,000	$1,007	2.36
$50,000-$100,000	$2,190	3.27

Inflation and taxes are putting a crimp in our charitable impulses.

In 1960, Americans' gifts equaled 3.73 per cent of their adjusted gross income. That percentage is steadily shrinking.

In 1962, it was 3.53 per cent; in 1964, 3.41 per cent; in 1966, 3.13 per cent and in 1968, 3.02 per cent.

"So-called 'tax reforms' hurt, too," says J.O. Newberry, president of AAFRC.

"One proposal would limit itemized deductions to gifts that exceed 3 per cent of adjusted gross income.

"It would take away the privilege of a charitable deduction from more than half the individual donors who gave $15 billion in 1971."

Making the grade in those tests

Do the tests you use to screen job applicants pass Uncle Sam's anti-discrimination test?

Cardall Associates, Princeton, N.J., psychological consulting firm, lists some 50 questions you should be able to answer—if you use examinations.

Why?

Because the Equal Employment Opportunity Commission may put them to you. Among the questions are:

- How many people are tested yearly?
- How many job applicants are screened out before testing?
- How many minority applicants are screened out before testing?

- How many job decisions are made without testing?
- Who selected or formulated the tests?
- On what basis?
- Who administers the testing program?
- How many people actually administer the tests?
- What special training do they have?

Use of any exam that adversely affects hiring of blacks, Chicanos, or members of other minority groups is discriminatory, the Civil Rights Act says, unless you can prove that those who score high on it will also do well on the job.

If the Feds don't hit you because of your tests, a class action suit may. One big food service firm faces a $25 million lawsuit in which litigants claim its exams discriminate against minorities.

New book club for businessmen

Wanna sell better?

Avoid some pitfalls that lie in wait for executives?

Learn how to cope with the blizzard of paper work?

Or find out why the guys are lying down on the job?

Those are some of the problems NATION'S BUSINESS' new book club can help you solve.

Charter members—those who sign up now—get a bonus. It's a free copy of "The Personal Investment Guide for Executives and Professionals," list price $15.

The club monthly will offer "outstanding books of special interest to executives" at big discounts—20 to 35 per cent.

For details, see pages 52 and 53.

What if he won't go to college?

Don't despair.

Maybe he doesn't want to be executive vice president for finance, like Dad.

"You don't have to get an A.B. to

Executive Trends *continued*

be a productive member of our society," says W.A. Goddard, executive director, National Association of Trade and Technical Schools.

NATTS has a booklet to prove it.

It lists more than 30 kinds of accredited private trade and technical schools that turn out everything from commercial artists to tool and die makers and diesel mechanics.

Its latest directory pinpoints training for diamond cutting, taught at the American School of Diamond Cutting, Garnerville, Nev.; horsemanship, at the Meredith Manor School of Horsemanship, Waverly, W. Va.; and lithography, at the Ambassador School of Lithography, Englewood, Colo.

"Some of these trade and technicals schools are old and famous," a NATTS spokesman adds.

"For example, the Culinary Institute of America, Inc., at New Haven, Conn., has been turning out chefs for years.

"Madison Avenue ad agencies have lots of alumni of the School of Visual Arts in New York City.

"And graduates of the Lewis Hotel-Motel School in Washington, D.C., help run many a place where you've hung your hat a night or two."

NATTS-accredited schools generally train for entry-level jobs, the spokesman explains.

"They're not like Cornell University's School of Hotel Administration," he continues.

"But they give a graduate the generalized skills he needs to get started. After that, it's up to him."

What your computer experts should do

"More than sling around lingo you don't understand."

So says Frank H. McCracken, president, Leasco Corp., New York City, in describing what to expect of the employees who handle your computer operations. Here's how he puts it:

1. The programmer.

"He's a technician. He writes a language the computer understands, and he gets answers to come out in language you understand.

"He should know the anatomy and biology—the ins and outs—of every computer he works with."

2. The systems analyst.

"He's a translator—a go-between for the executive suite and the technician. He must dig hard to find out what management really needs. And then, determine how the computer can get the right answers."

3. The data processing manager.

"He should be technically proficient—and also a good manager. Measure him by how well he gets the computer to solve operating problems for the executive."

Leasco has put such lore into a booklet it calls: "Everything You Always Wanted to Know About Computers—but Were Afraid to Ask."

It's meant to cure a corporate malaise known as EDP-itis.

Symptoms: Sweaty palms, a parched throat and a funny feeling that the company's at sea—with the helm in the hands of a river pilot you hardly know.

Alexander taught the world about rapid expansion.

But Irvine's catching up.

When Alexander the Great said "expand," he meant business. At 20 he owned some rocky hillsides. Thirteen years later he owned everything from Greece to India. And wept because he'd run out of real estate to acquire.

Irvine Industrial Complex is only seven years old and has already made expansion history. More than 300 firms have acquired our plant sites. One new company a week for the past 37 months. 1,800 acres sold or leased.

And, unlike Alexander, Irvine Industrial Complex is not about to run out of real estate. We have another 2,200 acres for sale now. And thousands more where those came from.

So, when a company moves to Irvine, it has plenty of room to expand. It can purchase, lease or take an option on parcels adjacent to its plant site — parcels from less than one to more than 100 acres.

127 companies have secured supplementary land along with their Irvine plant site. Some simply want to know that the land is theirs when they need it.

Others have built 2,790,000 square feet of plant additions. Now *that's* expansion.

Your industrial real estate broker knows the wheres and hows of expansion. And he knows Irvine. Ask him to tell you about both.

Irvine Industrial Complex

2122 Campus Dr., Irvine, CA 92664

"We have two reasons for urging you to dial your Long Distance calls direct: You save. And we save too."

When you dial your interstate calls direct, you do a lot of the work. And that saves the phone company money.

That's why we offer lower rates on dial-it-yourself, station-to-station, interstate calls. When you dial direct from your home or office phone without operator assistance or involvement, you can take advantage of these lower rates.

There's no difference in the "quality" of the calls, of course. What makes the difference in cost is the fact that you're not involving the operator.

So interstate dial-direct rates don't apply to coin phone, credit-card, person-to-person, collect and hotel-guest calls, or to calls charged to another number—because an operator must get involved in such calls. And they don't apply on calls to or from Alaska or Hawaii.

Knowing when you can save and when you can't is worth the effort—as you can see from the rate chart on the right.

Examples of Long Distance rates for station-to-station coast to coast calls

		Operator-assisted calls	Dial-direct calls	Your discount when you "dial it yourself"
Weekends	8 a.m. to 11 p.m. Sat. and 8 a.m. to 5 p.m. Sun.	$1.40 first 3 minutes	70¢ first 3 minutes	70¢ first 3 minutes
Evenings	5 p.m. to 11 p.m. Sun. through Fri.	$1.40 first 3 minutes	85¢ first 3 minutes	55¢ first 3 minutes
Nights	11 p.m. to 8 a.m. daily	$1.40 minimum call (3 minutes)	35¢* first minute (minimum call)	$1.05 on the minimum call
Weekdays	8 a.m. to 5 p.m. Mon. through Fri.	$1.85 first 3 minutes	$1.35 first 3 minutes	50¢ first 3 minutes

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PANORAMA of the nation's business

By VERNON LOUVIERE
Associate Editor

A Turn for the Better for Ladies' Tourneys

Sears Chairman Arthur M. Wood (left) with winner Betsy Cullen and former Sears Chairman Charles H. Kellstadt.

Women's professional golf is moving out of the boondocks and into the mainstream of American sports, thanks to big business.

Women have been swinging golf clubs for money for a long time but this year, for the first time, the female tournament take has passed the million-dollar mark.

More and more giant companies, shooting for the women's market, are finding it good business to sponsor women's golf tournaments.

This year's "Dinah Shore Colgate Winners' Circle" tournament at Palm Springs, Calif., sponsored by Colgate-Palmolive, broke the $100,000 single-event barrier with a $110,000 purse. Janie Blalock walked off with the largest winner's check so far: $20,000.

Sears, Roebuck & Co., which sponsored the Ladies Professional Golf Association tournament at Port St. Lucie, Fla., put up an $85,000 purse. Sears, almost 90 per cent of whose sales are to women, sponsored its first female tournament last year, contributing $60,000.

Next year it plans to offer $100,000.

Other tournament sponsors include Carling Beer, Pepsi-Cola, Eve cigarets, Sealy (the mattress people) and Suzuki motorcycles.

Says Judy Rankin, who heads the LPGA tournament committee:

"I think we have found our niche by tying our tournaments to corporations. These big companies don't try to make any money off the tournaments. They just want the advertising and promotion."

Fourteen of the 74 women on this year's LPGA circuit are married. Some of the husbands—and children—tag along while mamas forge down the fairways toward possible pay dirt.

It's not uncommon to find husbands playing bridge, gathered at coin laundries or even warming babies' formulas during the golf games.

How a Company Changes Youngsters' Lives

To be a "Union Carbide scholar" is to soak up history and political science where the action is—at the seat of the federal government.

For the past three years Union Carbide Corp. has participated in the Washington Workshops Congressional Seminar program, picking up the tab for visits to the nation's capital by outstanding high school students in communities where the firm has offices and plants.

During eight activity-packed days the youngsters sit in on sessions of Congress, meet with Cabinet members and other high-ranking federal officials and stage a mock Congressional session of their own.

They are selected in a variety of ways, but generally through essay contests and student body elections. The company pays all expenses, including pocket money.

The seminar program was started in 1967 by Leo Tonkin, a Congressional aide who had watched thousands of high school youngsters wander aimlessly around the Capitol on springtime field trips.

"I saw so many of them going through our great institutions of government and taking nothing back with them," he recalls. "I decided to do something about it."

The program has grown to the point where there are now nine sessions a year. The students are housed at Washington's Mt. Vernon College, which offers college credit to boys and girls invited to return and work in Congressional offices—as some are.

Some 30 of the students attending one seminar this summer did so courtesy of Union Carbide.

The company feels it is making a good investment. Howard J. Devol, manager of a Union Carbide plant at Dexter City, Ohio, reports:

"When we give to one of our worthy local charitable or service organizations, we get a sincere thank-you. But when a young man or woman comes back into your office after attending the seminar and tells you Union Carbide has changed his or her life—now that makes your week."

Says Union Carbide President William S. Sneath:

"These highly motivated high school students are learning that change is not only possible within our system, it it constantly happening. By coming back to our communities and talking to school and civic groups about their experiences, they are serving as ambassadors from America—to America."

continued on next page

Have

Banks Provide a New Lease on Education

California banks are giving high school dropouts in the Oakland area a new lease on education—a chance to learn the banking business—and more than a hundred students have taken advantage of the opportunity.

Security Pacific National Bank, Bank of America, Wells Fargo and others are participating in a program called the "Banking Cluster." Every student is guaranteed a job upon graduation. In the first three years of the program, about three fourths of the young bank trainees have remained on the job.

John Hansen, coordinator at Oakland's Dewey High School, conceived of the idea as a way to lure dropouts back to school to earn a diploma. Previously aimed at helping disadvantaged youngsters, the program is open to all students with the start of this fall's term.

"We look for potential and a spark of the right kind of attitude," says Mr. Hansen. "If they show that they are willing to try, we give them a chance."

He gives this assessment of those who take part in the program:

"On the one hand, they manifest the knowledge of a master's degree in street psychology. On the other, they seem to be young adults searching frantically for survival in the business world but not knowing where to turn."

Students from three Oakland high schools attend special banking classes at Dewey for three hours each morning for one semester. The banks provide trained personnel who teach courses in customer service, self-development, how to act on the job, personal hygiene and current events in the financial area.

"The students face strict requirements," Mr. Hansen explains. "They are expected to act like professionals. Tardiness and absenteeism are carefully monitored—with four days' absence causing dismissal from the program. The students' grammar and attitudes are continually corrected and tested."

Says Mrs. Anita Rudd, one of the Security Pacific instructors:

"After exposure to the realm of business, they become interested and accept the reality of advancement with a company, despite the demands that the business places on them."

The Oakland banks are finding it less costly to hire "Cluster" graduates than to hire personnel off the street and train them.

"With a harmonious, innovative program like this everyone stands a chance to win—parents, industry and, most of all, the students," Mr. Hansen says.

Mrs. Anita Rudd gives a student some guidance on personal care.

Tapping a Bonanza of Legal Talent

A Du Pont Co. attorney in Wilmington, Del., would no longer have to grope for an answer if his young son asked him today what he asked some time ago: "Dad, why is it that you're a lawyer and you never go to court?"

He *is* going to court as a result of an unusual program in which 53 Du Pont lawyers have volunteered their services to help Wilmington's badly understaffed Public Defender's Office with its heavy case load. The agency handles cases involving more than 3,000 defendants a year.

Most of the Du Pont men—experts in tax, patent and general corporate matters—have had no exposure to criminal law since law school, so they have been put through a comprehensive orientation course. Some are going to court in criminal cases while others are spending time in research, preparing briefs and helping prisoners seeking pardons.

Like so many good ideas, this one came out of conversation at lunch. Public Defender Lawrence M. Sullivan had gotten together with Du Pont attorney Francis A. Paintin, whom a judge had just appointed to represent a man in a criminal case. Mr. Sullivan, a friend, was bringing Mr. Paintin up-to-date on criminal law.

"Finally, it occurred to me that there might be other Du Pont lawyers who would like to offer their services in cases like this," Public Defender Sullivan recalls. "Frank agreed and took it from there."

Du Pont gave its official blessing. But before anything could be done, a way had to be found to clear company lawyers not licensed to practice in Delaware for service in the state's criminal courts. Last January, the Delaware Supreme Court gave its approval.

Mr. Sullivan has tapped a bonanza of talent. Most of the lawyer-volunteers have advanced degrees, and not all are tyros at criminal practice—two have been prosecutors and several, defense attorneys.

They are donating their services nights and on weekends, but Du Pont permits them to take time off during the day if their services are needed then.

"We're not just throwing 53 lawyers into the criminal justice system," Mr. Sullivan explains. "Du Pont wants to make sure that this program works and that Du Pont is well represented. Du Pont is as conscientious in this as though it were marketing nylon."

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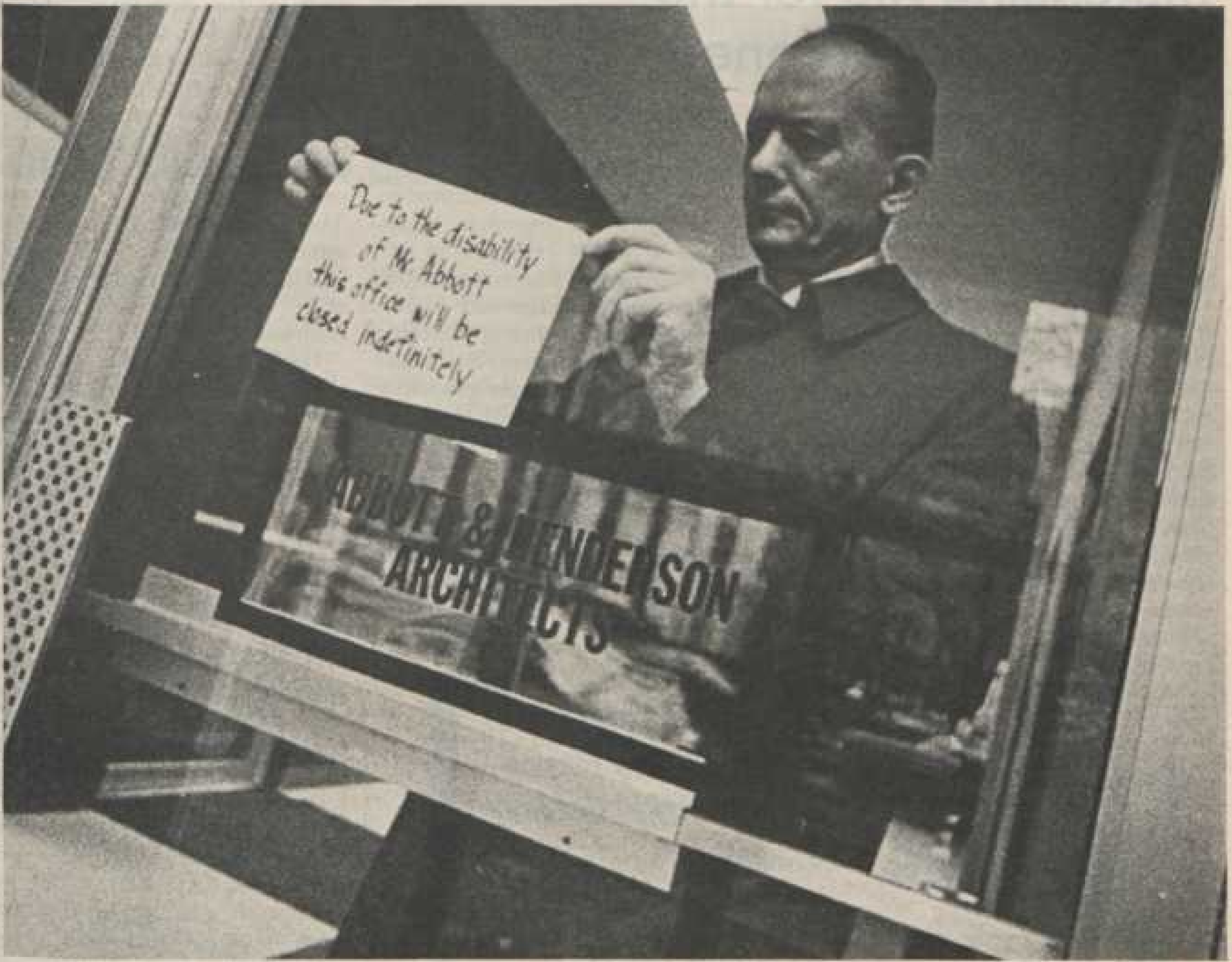

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SBA Report

Increasing Aid for the Minority Entrepreneur

Each year brings many new challenges for the small businessman—challenges to his creativity; challenges to respond constructively and positively to problems; challenges to adapt to changing conditions with initiative and resourcefulness.

Such challenges are amplified for the minority entrepreneur, who bears the burden of lacking a business tradition, channeled communications, capital and managerial expertise.

These facts set the foundation for the U.S. Small Business Administration's minority enterprise program. SBA's operating objective is to provide technical and financial assistance to minority businessmen, using resources that are generated by both America's private and public sectors.

Since 1968, SBA has had a pioneering, significant role in this field. The agency's activism has resulted in more federal loans, contracts, bonds and lines of credit extended to minority businesses; concentrated efforts to extend management assistance to a greater number of minority businesses; and greater capital available through a larger, more extensive Minority Enterprise Small Business Investment Company (MESBIC) program.

At the end of fiscal year 1972, business loan approvals to minorities had increased over fiscal year 1971 by 16 per cent in number—from 7,776 to 9,016—and 21 per cent in dollars—from $214 million to $258 million.

Greater participation by banks with SBA under a loan guaranty plan was a big factor. Simplification of loan procedures, and innovations such as the three-day "automatic" processing plan, have made bank participation more attractive.

A good start in the MESBIC program was also recorded last year. SBA currently has licensed 51 MESBICs showing an aggregate private capitalization of $16.4 million. These firms, which invest solely in minority business enterprises, are making more than $200 million available for investment in minority businesses.

Legislation recently proposed by the President to encourage and broaden investment of private sector funds into MESBICs would also give statutory definition to MESBICs; reduce the level of private capital required to qualify for $3-to-$1 assistance from SBA; permit MESBICs to be organized as nonprofit corporations; and allow banks to own 100 per cent of a MESBIC.

Government contracts awarded to minority firms under SBA's procurement program exceeded the target goal of $100 million by almost 50 per cent in fiscal 1972. SBA awarded 1,714 contracts, for nearly $150 million, during the year. This compares to 811 contracts, for $65 million, awarded in fiscal 1971. Total awards amount to more than $237 million since the start of fiscal 1970.

Under this program, SBA acts as prime contractor for goods and services being acquired by federal procurement agencies. It then subcontracts these orders to disadvantaged small businesses.

Minority entrepreneurs also have been benefiting from management assistance activities. Nearly 22,000 minority entrepreneurs have attended management courses, workshops, conferences and clinics cosponsored by SBA during fiscal 1972.

Under SBA's 406 program, minority firms received $2.9 million of the $3.3 million total allotment to the program. This represents an increase of $600,000 over the previous year.

Additionally, SBA last year maintained 110 minority enterprise representatives in the field.

Prepared by the Small Business Administration.

Sound Off to the Editor

Should We Stop Economic Growth?

Beset by mounting problems of taxation, pollution and urban decay, many city leaders and even some state leaders are seriously arguing that the way to solve them is to call a screeching halt to economic growth.

Oregon is notable for such sentiments. The state welcomes tourists, but is no longer encouraging out-of-staters to come there to live.

The no-growth—or less-growth—idea has also gained prominence among officialdom in Florida, California and Colorado, for example. In some metropolitan areas, groups to promote the idea (their goals: a "Lesser Seattle" or a "Lesser Los Angeles") have sprung up.

Nor is the city or state line the boundary for antigrowth fervor. A study done for the Club of Rome, a private international group which includes some prestigious businessmen, urges a halt to growth world-wide, saying that if trends in "population, industrialization, pollution, food production and resource depletion continue unchanged, the limits to growth on this planet will be reached sometime within the next 100 years" and there probably will then be "a sudden and uncontrollable decline in both population and industry capacity."

At the community level, those who favor zero economic growth contend that while new or expanded industry may create jobs, it also means more people moving in, bringing increased demand for—and strain on—schools, sewers, police protection and other services. This, they say, means higher taxes—and the main burden falls on established residents.

Those who favor growth point out that costs of public services are rising all the time, and say bringing new industry into a community is the way to broaden the tax base. Just as important, they add, is the fact that new or expanded businesses mean more jobs—without which there would not be enough opportunity for young people.

Overall, those on the side of growth say technology will solve pollution, resource depletion and other problems—if there is an economic base big enough to pay the price.

Should we stop economic growth? What do you think?

Jack Wooldridge, Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20006

Should we stop economic growth? ☐ Yes ☐ No

Comments:...

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Name and title...
(PLEASE PRINT)

Company...

City...

Sound Off Response

School for All Seasons

Keeping public schools open year-round—with staggered vacation periods for pupils—is an idea that gets high marks from readers of NATION'S BUSINESS.

Responses are better than three to one in the affirmative to July's "Sound Off to the Editor" question, "Should Public Schools Be Operated 12 Months a Year?"

Potential cost saving on construction, operation and maintenance of buildings and other facilities is the principal basis for the strong showing of support. Hope for better utilization of teachers and other personnel also figures prominently.

The year-round school concept has drawn growing interest not only because of its financial aspects but due to the view of many educators that several shorter breaks throughout the year are better for students' retention of lessons than one three-month vacation.

Those opposing the idea include many who say that a long, relaxed summer vacation is too important a part of childhood to give way to financial considerations. And many older pupils rely on summer jobs to build a college fund, it's pointed out.

There was a large response from the younger generation.

Although the background material accompanying the "Sound Off" query discussed a school year with several vacations—and specifically cited one county which is experimenting with a schedule of nine weeks in school followed by three weeks off—some of them see the 12-month school idea as a grown-ups' plot to keep them at their desks 52 weeks a year. (A few adults similarly misinterpreted the question and argue against any such idea.)

A sampling of reader comments follows.

Donald J. Morgan, marketing manager, Armstrong Cork Co., Lancaster, Pa., says the 12-month school would make for better use of buildings and hopefully allow "elimination of annual property tax increases to cover the cost of new facilities."

He also likes the idea that "families could plan vacations for different times of the year, not just the summer."

Camiel E. Thorrez, a manufacturing engineer and a trustee of the Concord, Mich., Community School Board, says: "I was appalled when I figured out how much time the majority of classrooms at our local school are idle—over 80 per cent of the year."

However, he adds: "The monetary rationale is not the most important aspect of the extended school year, it is the educational quality improvement that results." Specifically, he notes that it increases "flexibility of the use of time" for both students and teachers. He says that "of course, there are a few negative aspects, but most of them are just problems that come up when people have to break with tradition—in this case a tradition that has no logical reason for continuing."

R.F. Mathews, division manager of exploration, Midland Division, Continental Oil Co., Midland, Texas, says "the 12-month educational system is a MUST!"

Better use of facilities is only one of "the obvious advantages," he writes. "The vacation load in business can be spread over a 12-month period to the advantage of many people in the travel, resort, service and recreational industries. This would alleviate the congested conditions in certain areas as well as the slowdown in business when vacations are crowded into a three-month summer period."

On the opposite side of the argument, Richard C. Whipple, manager of the Old National Bank of Washington, Sprague, Wash., is practically lyrical:

"Are we so old that we have forgotten the feeling on those warm days at the end of May when we were looking forward to the summer months? . . . Let's give these children time to be kids and be with their parents; to lie on the summer grass and watch the clouds drifting by; to think out their small problems and have time of their own. We push, push the younger generation and leave them no time. How can they develop into men and women if they have not had the time to be children? I feel the extra expense, if any, of the old nine-month school year to be well worth it."

Karen L. Slater, a teacher in Toledo, Ohio, writes that from her vantage point "a three-week vacation is just as conducive to forgetting as three months. I teach first grade and after each vacation (Christmas, etc.) I spend a week trying to get back to where I left off. . . . We have enough other problems to contend with.

"Let's change the problems, not the schools.

"They're doing all right."

And from the younger generation, this comment:

Jan Guarino, Hamden, Conn.: "I'm nine years old. I think just having a three-week vacation and then a nine-week term is ridiculous."

Jackie Pollack, Coral Gables, Fla.: "I hate your idea. What if your brother gets off at a different time than you?"

Wade Neighbors, sixth grader, Stuttgart, Ark.: "I hate school no matter what it does, and that's the truth."

Older students are somewhat more objective.

Virginia Nunn, 16, of Arlington, Texas, expresses her deep concern over the impact that a 12-month school year would have on extracurricular activities.

"How would it be possible to carry on these activities if the school year is chopped up?" she asks. "You must realize how long it takes to build up a football team, basketball team, baseball team, debate team, band, drill team and track team."

And, Miss Nunn says, "Most students find it necessary to work to earn money for college, and summer is the ideal time to put your full concentration on your job."

Many other students—and parents—echo that view.

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"Life is happier and more prosperous for my family and me. Without Duraclean I'd still be going from layoff to layoff. Now moving to new 5-bedroom home." **R. J. B., Mich.**

THESE ARE JUST A FEW OF THE LETTERS IN OUR FILES FROM MEN AND WOMEN WHO HAVE FOUND SUCCESS AS DURACLEAN DEALERS. (IN ANOTHER YEAR YOUR STATEMENT COULD BE HERE, TOO)

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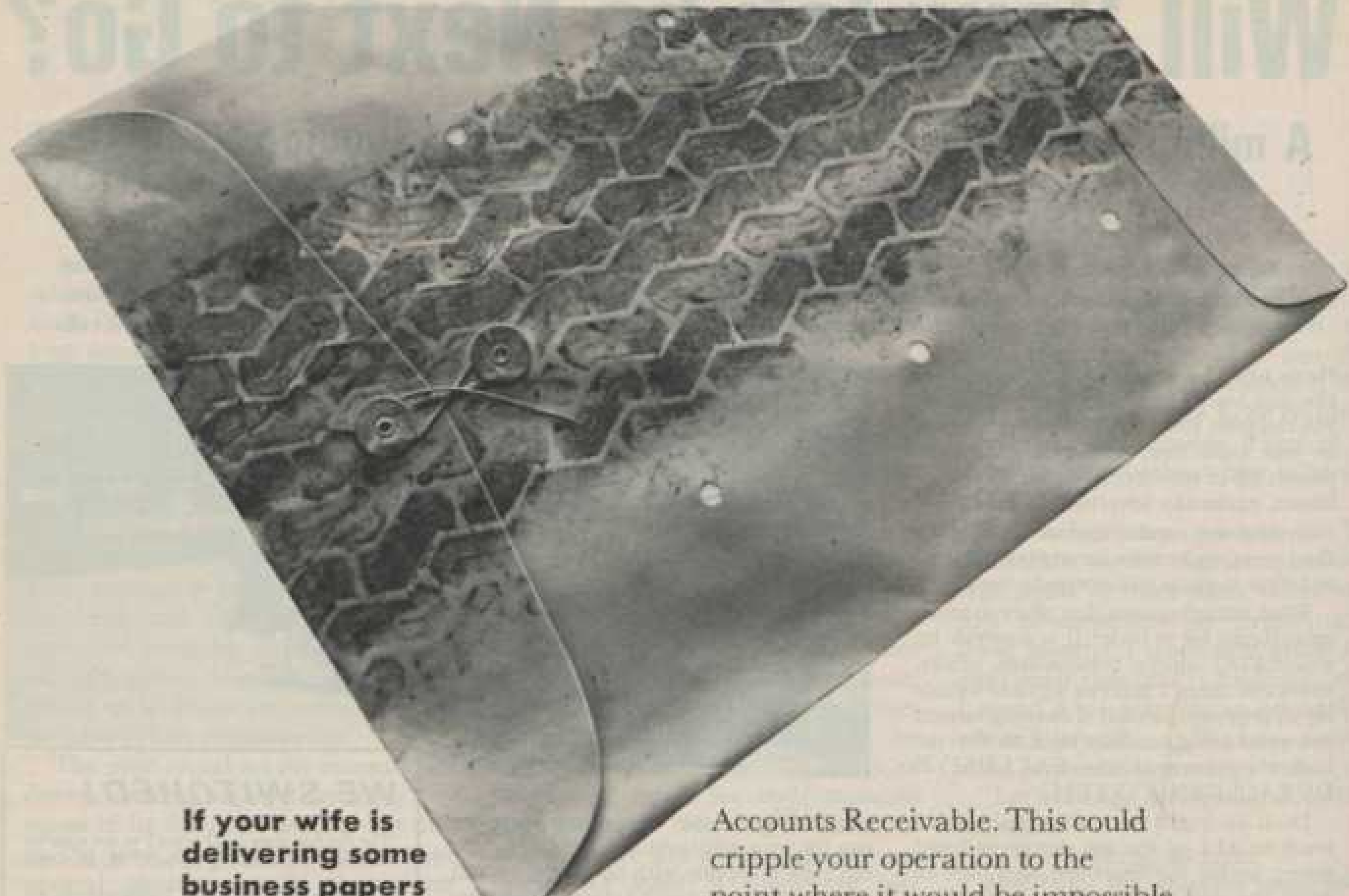

If your wife is delivering some business papers for you and has an accident, does your commercial insurance cover both your and her liability arising out of the accident?

The only reason you carry commercial insurance is to protect yourself from the unforeseen and unexpected. Yet many business policies do not cover anything that is not specifically included in the policy.

The best commercial package policies are now written to cover almost all hazards unless they are specifically *excluded* in writing. What about your policy?

If your Accounts Receivable were suddenly destroyed, would you be out of business forever?

Loss of your records could cost you up to 70% of your outstanding Accounts Receivable. This could cripple your operation to the point where it would be impossible to survive.

Accounts Receivable Insurance, available as part of a commercial package policy, pays you the money you cannot collect, as well as the extra collection costs caused by your loss of records and the expenses of reconstructing your records after a loss. Are you protected?

Are you starting to wonder about your commercial insurance?

Good. It *is* something you should know more about. Get together with your insurance man and discuss your questions. Or call in your local independent agent representing Transamerica Insurance Group. He specializes in writing commercial package policies. You'll find him listed in the Yellow Pages, or drop us a line at the address below.

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The Big Tax Reform Myth of 1972

It's easy to talk about financing government programs by soaking upper-income taxpayers, but they're being soaked pretty thoroughly already; and anyway, how high is upper?

The refrain of "tax reform" has become popular with some political candidates this year and Mr. Joe Citizen might find it appealing.

What could be more attractive to a voter than a glowing promise to cut his taxes through a magic formula of "closing loopholes" and extracting more money from those "fat cats"?

After all, Joe works hard to earn $15,000 a year. He needs the money for things like food and clothing for the family, mortgage and tax payments on the house, the bank loan on the car, medical and dental care. . . .

A tax cut that would increase his take-home pay sounds pretty good. And those guys up in the top 10 or 15 per cent income levels can well afford to pay more toward the rising cost of government, Joe figures.

Well, if Joe wants to see a real, live upper-income-level taxpayer whose "loopholes" are under attack, he need go no farther than the nearest mirror.

For Joe, like many other people who don't have time to look beyond the political rhetoric, has become another victim of what might well be remembered as The Big Tax Reform Myth of 1972.

How high is upper?

Upper level? Joe's $15,000 puts him in the top 13 per cent income group. So he's well inside the target area for those advocating a major shift of the tax burden to the "richest 20 per cent."

Loopholes? The interest on his mortgage and car loan, his state and local taxes, his medical and dental expenses and his charitable contributions are proper deductions in Joe's view. But to some tax "reformers," they should not be allowed and Joe's taxes should be sharply increased.

Make the rich pick up the tab for the runaway cost of government? If every penny earned by those making over $100,000 a year were confiscated—not subjected to heavier taxes but actually taken away completely—the total collected wouldn't run the government for three weeks.

"There's been a good deal of exaggeration about what can be done to increase taxes in the upper income levels," says Under Secretary of the Treasury Edwin S. Cohen. "In general, the rich pay federal income taxes in large amounts."

Mr. Cohen, the Treasury Department's No. 1 man on tax policy, discussed tax reform in his handsome, old-fashioned office in the stately Treasury building overlooking the east wing of the White House.

The current surge of reform oratory, he says, "is in large part political," adding: "It's easy to say 'soak the rich,' because there are relatively few of them."

Debunking claims that many wealthy people escape income taxes altogether, Mr. Cohen points out that of 15,306 persons with 1970 incomes over $200,000, 99.6 per cent—or 15,200—paid an average federal income tax of $177,000 each, for a total of $2.7 billion.

The tax burden carried by these 15,200 people works out to 44.1 per cent of adjusted gross income (salary, dividends, interest and all other taxable income, minus such excluded income as certain business expenses, depreciation, sick pay, capital losses, business loss carry-over and retirement contributions by the self-employed) and to nearly 60 per cent of taxable income.

Why 106 didn't pay

But this has been obscured, Mr. Cohen says, by discussion of the remaining 106 who had no federal tax liability.

All 106, he explains, had huge deductions that more than offset their taxable income. And an audit, he adds, may determine that some taxes are due, anyway.

The principal deductions listed on the 106 returns:

• Interest. Fifty-five showed a total of $17.3 million in interest paid out. Other deductions in this group raised the total to $22 million against $18.4 million in adjusted gross income.

• Miscellaneous. Twenty of those filing had miscellaneous deductions totaling $10.5 million for such things as loss of securities pledged for loans; losses on guarantees of loans; payments in settlement of litigation; and fees for accounting, bookkeeping, management, investment counseling and other professional services—all allowable expenses of earning business or investment income. Other deductions raised the total to $15.2

The Big Tax Reform Myth of 1972 *continued*

million against $11.1 million in adjusted gross income.

• Charitable contributions. Twelve returns showed a total gross income of $8.5 million and total deductions of $8.9 million, including $4.2 million in gifts to charities. While the 1969 Tax Reform Act changed the allowable charitable deductions from unlimited to 50 per cent of income, tax officials recognized that major contributors to charitable causes would have sufficient additional deductions to cancel out a federal tax liability.

• State and local taxes. Twelve returns listing a total of $4.1 million in adjusted gross income showed an equivalent amount paid in state and local taxes. Substantial amounts of nonrecurring income were involved. For 1969, 11 of these 12 individuals had paid an average of $1.6 million each in federal income taxes.

• Foreign taxes. Seven showed payments totaling $1.5 million for income taxes to foreign countries, which more than offset the tax due on taxable income of $2.1 million.

Who carries the burden?

Treasury Department figures give these other insights into the distribution of the tax burden, based on returns filed last year:

• Taxpayers with incomes above $30,000 a year represent only 1.8 per cent of all taxpayers, but pay 23.2 per cent of all taxes. Those with incomes under $10,000 represent 68 per cent of all those filing but pay only 24 per cent of total income tax revenues.

• The taxes paid by the 50.6 million people reporting incomes under $10,000 and by the 1.3 million with over $30,000 are about the same—roughly $20 billion in each case.

• Those with incomes over $15,000 represent less than 13 per cent of all taxpayers but pay over half the taxes and claim only 30 per cent of all deductions.

• Taxpayers reporting incomes above $50,000 account for less than 6 per cent of the total of $120.5 billion in deductions claimed by all taxpayers.

Under Secretary Cohen says that he is by no means opposed to review of existing laws—but that the goal should be a tax system "as equitable as possible, one that best serves the economic and social well-being of the nation." He cautions against rushing into tax reform "in the political atmosphere of a campaign year."

With Congress far behind schedule, it appears increasingly unlikely there will be serious consideration of any major tax reform proposals this year. But the issue will most likely be the dominant one on Capitol Hill in 1973.

Sen. George McGovern (D.-S. Dak.), the Democratic Presidential nominee, leads the clamor for tax law changes that would squeeze more money from individual middle- and upper-income taxpayers and from corporations.

His "tax reform" plan includes a massive redistribution of income from upper to lower brackets. Its de-

Have

PHOTO: MAGGI CASTELLOE

Edwin S. Cohen, Under Secretary of the Treasury and its top tax expert, says there's been "a great deal of exaggeration" in claims that tax relief can be given in lower brackets by shifting more burden to higher-bracket wage earners.

tails are yet to be spelled out, but they include a $14 billion hike in corporate taxes by 1975. He continually asserts that many corporations paid no federal income taxes in 1970—but fails to add that most of them lost money in that year's recession, while others barely broke even.

Mr. Cohen says that the corporate income tax is really borne by individuals—through lower dividends or higher prices.

Another broad tax proposal is that sponsored by Senate Majority Leader Mike Mansfield (D.-Mont.) and Rep. Wilbur Mills (D.-Ark.), chairman of the House Ways and Means Committee—where all tax legislation originates.

Under their plan, 54 major tax preferences—business and personal deductions and exemptions—would be repealed at the rate of 18 each on Jan. 1 in 1973, 1974 and 1975.

Congress would theoretically be required to make a decision on whether to keep each specific preference, revise it, or allow it to expire.

Sen. Mansfield and Rep. Mills have said they are not necessarily in favor of repeal of all or any of the preferences, but want Congress to take a hard look at them.

Mr. Cohen questions the proposal, preferring an overall review of the tax structure to a piecemeal approach. He points to complications: Some of the laws that would be repealed in the 1973 bloc, for example, could be connected to those in the 1975 bloc, he says.

Surveying the tax reform scene at this juncture, the Treasury official asserts that none of the "quickie" recommendations that have been advanced is adequate.

Out with incentives?

Over the years, he notes, "Congress has built many incentives into the tax laws to encourage specific actions. While those incentives should be reviewed periodically, you can't just knock them out without first determining what the effect on the economy would be."

One case in point, he says, is legislation Congress enacted in 1968 setting an annual goal of 2.6 million new housing units over 10 years. The law was centered around the idea of "substantial" tax deductions to attract investment in construction, he recalls—and indeed, investments did increase.

To achieve the same result if that incentive were eliminated, Mr. Cohen says, "something else would have to be substituted."

Everybody's idea of tax reform, he comments, is "something that will let them pay less and make others pay more."

One idea being given wide circulation is that changes in recent years have benefited corporations to the disadvantage of individuals.

Says Mr. Cohen: Changes voted in 1969 will have increased corporate income taxes $4.9 billion through the end of this year, while decreasing in-

Who Carries the Tax Burden?

Adjusted gross income	Number of taxpayers	Per cent of all taxpayers	Their per cent of total tax bill
$1,000,000 or more	624	*	0.7
$500,000 or more	2,393	*	1.4
$200,000 or more	15,323	*	3.2
$100,000 or more	77,899	0.1	6.8
$50,000 or more	429,568	0.6	14.7
$30,000 or more	1,347,890	1.8	23.2
$25,000 or more	2,116,279	2.9	27.6
$20,000 or more	4,025,916	5.4	35.5
$15,000 or more	9,567,263	12.9	51.2
$14,000 or more	11,573,381	15.6	55.7
$13,000 or more	13,939,842	18.8	60.4
$12,000 or more	16,730,043	22.5	65.5
$11,000 or more	19,990,362	26.9	70.7
$10,000 or more	23,671,874	31.9	75.8
$9,000 or more	27,851,436	37.5	81.0
$8,000 or more	32,140,375	43.3	85.5
$7,000 or more	36,573,102	49.2	89.5
$6,000 or more	41,220,570	55.5	92.9
$5,000 or more	45,983,904	61.9	95.7
$4,000 or more	51,071,360	68.8	97.8
$3,000 or more	56,222,801	75.7	99.3
$2,000 or more	61,832,645	83.2	99.9
$1,000 or more	68,113,273	91.7	100.0
$600 or more	70,824,379	95.3	100.0
Returns with adjusted gross income	73,876,961	99.4	100.0
All returns	74,285,982	100.0	100.0

* Less than 0.05 per cent

The Big Tax Reform Myth

continued

dividual income taxes $18.9 billion and cutting excise taxes—paid mostly by individuals—$3.5 billion.

More recent legislation—voted in 1971—includes restoration of the job development investment credit and revision of depreciation allowances, both steps taken to speed economic recovery by increasing employment.

As a result, Mr. Cohen says, corporate taxes for the current calendar year will be $400 million less than they would have been. But he points out that individual income taxes, as a result of the earlier changes, will be $12 billion less and excise taxes, $2.6 billion less.

A Robin Hood syndrome

One of the more articulate discussions of the current hullabaloo about tax reform is contained in a report by David L. Babson and Co., Boston investment counselors. It says:

"'Tax reform' has emerged as a major issue in this election year. But the current rhetoric over 'plugging the loopholes' and 'reallocating the burden' is more than just the usual quadrennial fare.

"We seem to have finally reached the point where everyone is fed up with the continual rise in taxes needed to finance the soaring cost of government. So . . . candidates have been promising 'relief' to the great mass of voters by claiming that corporations and wealthy individuals have not been paying their fair share and can now be socked for tens of billions more each year.

"In essence, a Robin Hood syndrome has germinated in Congress. A number of proposals have been made that would use federal taxation as an active means of distributing national income and wealth on an 'equitable' basis. If this 'you-earn-it-we'll-decide-who-gets-it' approach becomes the cornerstone of tax policy, our existing and proven system of economic incentives can only go by the boards.

"None of the proposals to date have called for the one fiscal reform that would benefit all of us and the economy as well—an overhaul of the government's runaway spending programs and the adoption of sound financial procedures." END

This Month's Guest Economist

Dr. Robert T. Parry
Vice President and Economist
Security Pacific National Bank

Keeping Housing Humming

Since World War II the United States has failed to meet a basic economic objective—provision of adequate housing for all citizens. It is a bitter paradox that the housing gap persists in a period of unparalleled economic growth.

A Department of Housing and Urban Development study four years ago indicated that 25.5 million new housing units would be needed from 1968 through 1977.

New household formation was estimated to require 13.5 million units. Another 8.5 million would be needed to replace dilapidated homes and units gone as a result of demolitions, casualty and other losses. Finally, the remaining 3.5 million units would help raise the present low vacancy rates to a more ideal 6 per cent level.

In 1968-70, housing units completed—including mobile homes—averaged just under 1.8 million per year, giving rise to concern that an annual average of 2.6 million for the period ending with 1977 was an unattainable goal.

Since mid-1970, however, residential construction has proceeded at a rapid pace. Estimates for 1971, again including mobile homes, indicate completions totaled 2.2 million units. The current consensus for 1972 indicates completions in the area of 2.7 million.

Although recent events certainly are more encouraging, it's still questionable whether projected housing needs will be met in coming years. Completions from 1968 through 1972 are likely to approximate 10 million. To reach 26 million by the end of 1977 would require an average of more than three million units a year—by no means a small task.

Apart from total number of units, the requirements of particular population groups may not be satisfied. Low income housing needs are critical. To date, experience with housing subsidies has not been satisfactory.

Further, the fastest growing age groups—the 16-to-34-year-olds and the 55-and-over bracket—will need low cost, smaller dwelling units. The former group is at the beginning of its income earning period and low on capital. The latter is retired or approaching retirement, and interested in preserving capital.

Perhaps the greatest threat to attainment of current housing goals is the cyclical nature of home building activity. Since World War II, short-term fluctuations in housing starts have been both wide and numerous.

Housing production is closely related to the movement of total economic activity. It tends to move contra-cyclically, picking up when other sectors are lagging and declining when the pace of general economic activity quickens. Since most economists are forecasting rapid economic growth for the balance of 1972 and for 1973, and as monetary and fiscal policies appear directed toward achieving full employment, a future cyclical downturn in housing is a distinct possibility.

Economic research suggests the cyclical nature of housing construction is due in large part to legal restrictions placed on mortgage lenders.

Nonbank thrift institutions, primarily savings and loan associations and mutual savings banks, are the main source of funds for housing. Interest rate ceilings limit these institutions on what they may charge borrowers and pay depositors.

In periods of economic expansion, as business demands for funds to support investments rise, money is diverted from the housing sector. Rising interest rates make deposits at thrift institutions less attractive, and funds are taken from them in search of higher rates of return.

The demand for housing also is interest rate sensitive, adding to the housing industry's cyclical nature. A home purchase often is postponable, and the effects of small interest changes on monthly payments can be sizable.

Recent studies by the President's Commission on Financial Structure and Regulation (the Hunt Commission) and by the Federal Reserve Board both propose improving the functioning of the mortgage market through elimination of interest rate ceilings on FHA-insured and VA-guaranteed loans, and removal of state usury ceilings on mortgage interest rates.

These moves plus modification or removal of interest rate ceilings on deposits at thrift institutions would be major steps toward making the mortgage market more competitive during periods of rising interest rates.

Another constructive step would be the offering of variable rate mortgages. Such mortgages would produce greater flexibility in rates of return on thrift institutions' assets, permitting wider changes in deposit interest rates and increased deposit stability. At the same time, variable rates could encourage home buyers to contract for mortgages during high interest periods, thus sustaining demand for housing.

Last month, the Federal Home Loan Bank Board, which regulates the nation's federally charted savings and loan associations, proposed adoption of such sliding interest rates. Federal officials envision a period of experimentation before variable rates are adopted permanently.

Protections for the borrower would be of paramount concern. A fixed rate contract could be offered as an alternative to the variable rate mortgage. Also, limits to changes in the interest rate, and the opportunity to renegotiate the contract with no penalty after an agreed-upon interval would provide additional protection.

Although there are problems associated with variable rate mortgages, few are insoluble.

The World's Oldest Stock Exchange

AMSTERDAM—How many people who are in the stock brokerage industry, or who use its services, know that the industry can trace its origins to one event and one spot?

The event took place in 1602—when the Dutch East India Co. first sold shares to the public.

This benchmark private enterprise operation was so successful that a stock exchange was formed in Amsterdam in 1611. That was 43 years before Dutchmen, worrying about Indians, built a stockade on lower Manhattan, and thereby gave Wall Street its name.

The Amsterdam Stock Exchange has been operating ever since.

Amsterdam is not only the birthplace of the securities trading market, but of language used by brokers the world over. Here, in 1606, the word "share" was first used to denote part ownership in a company. And other terms such as "bulls," "bears," "puts," "calls," "buying on margin" and "futures" originated in Amsterdam in years that followed.

Much of the money to build the great American railroads to the West was raised in Amsterdam. The Confederate States did a brisk trade in bonds here.

In the present, ornate Exchange building—which dates from 1913—stocks and bonds of 310 American companies are bought and sold, along with shares of nearly 2,000 companies from other nations.

PHOTOS: YOICHI OKAMOTO

The ringing of a gong opens trading each day and, immediately, share quotations for such U.S. giants as Texaco and Gulf Oil are flashed on the ticker screen along with quotes from Holland's KLM, Philips, Unilever and Shell.

Hal - jumbo file

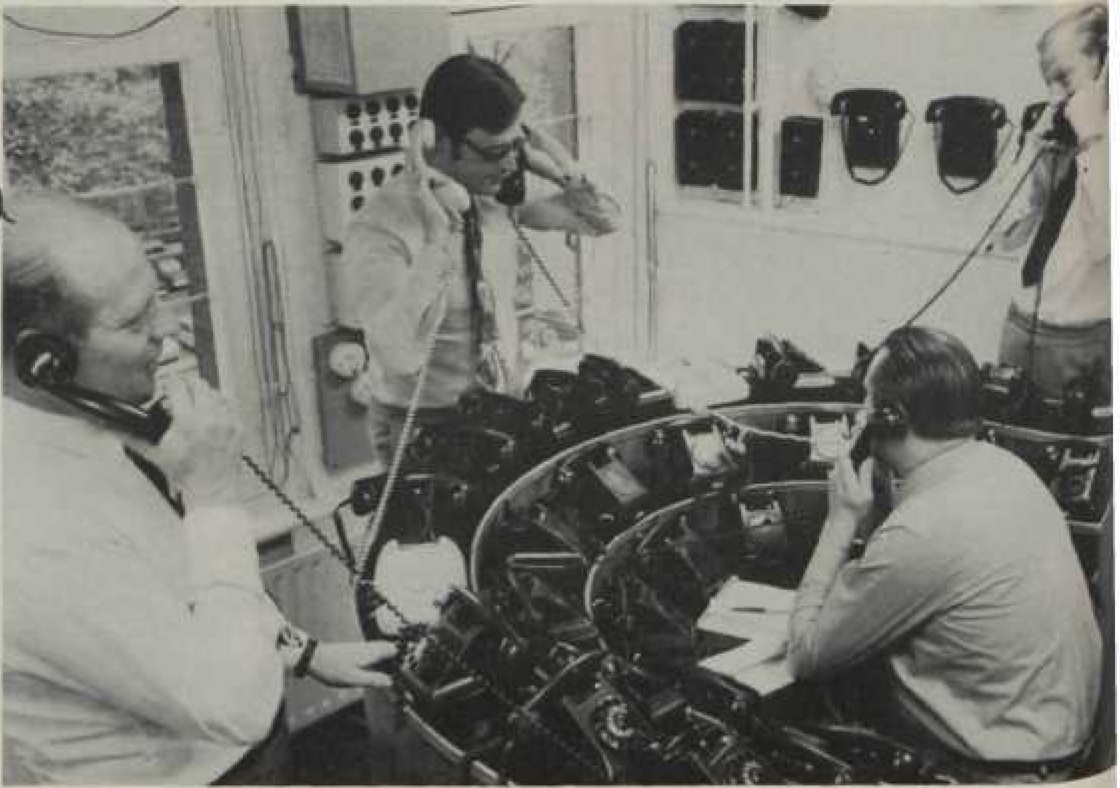
As many as 600 clerks, brokers, and specialists who "maintain a market" in various stocks crowd the trading floor, which is overlooked by Mercury, Latin god of commerce. Each specialist always stands in the same square, so a broker who wishes to make a trade knows exactly where to do so. Telephones surround the floor, but the bare squares contrast sharply with the circular phone-and-record-filled trading counters of specialists on the New York Exchange. Dutch specialists report prices to a mid-floor office, which puts quotes on the ticker. A new computer system is being installed.

continued on next page

The World's Oldest Stock Exchange

continued

Stock trading in Holland can be frantic, just as in the United States. The Van Outersterp brothers buy and sell with the aid of 30 telephones, each with a distinctive ring—which means they can reach the correct phone without looking. At 1:15 p.m., when the market closes, brokers dash outside and have standup lunches (below).



There usually are two or more specialists in each trading area. Carefully standing within his allotted square, a specialist notes a purchase or sale in a record book and seals the deal with a handshake. END

$trictly Personal BY PETER WEAVER

Getting into horse racing

If you saw Riva Ridge win the Belmont on television last June, you might well have dreamed of owning a race horse yourself.

An increasing number of business and professional men are making such dreams come true. Granted, 99.99 per cent of them aren't getting any colt like Riva Ridge. But they are getting animals that provide a lot of excitement for their families and business clients.

Most don't make money on the deal. But, you can cover a good portion of expenses with purse money and you can deduct some losses on income tax returns.

"Too many businessmen who don't know the racing business get started the wrong way," says Dave Hooper, executive director, Thoroughbred Breeders of Kentucky, Inc. "The key is to pick a good trainer before *you* go out and spend money on a horse."

This, apparently, is a good way to avoid getting stuck with an expensive "equine lemon."

How do you pick a trainer? Having been in racing myself, in a modest way, I suggest you make a date to see one or more racing secretaries of tracks in your area. Ask them for names of trainers. They will try to give you names of men they know will take good care of you and your horses.

To be doubly careful, be sure to check the suggested trainers' names with the track representative of the Horsemen's Benevolent and Protective Association. These racing security men know which trainers might have drinking or money problems.

Depending on how much or how fast you want to get into racing, a trainer can advise whether it's better to buy a yearling at auction, or an older horse that's for sale at the track. You can spend anywhere from $1,000—on up.

The Keeneland, Ky., Fall Sale, which runs from Sept. 11 through Sept. 14, is famous for its yearling "bargains." Canonero II, the colt that won the Derby and Preakness last year, was purchased for a mere $1,200 at a Keeneland Fall Sale.

Once you have a horse, your racing costs will run from $16 to $26 a day at major, mile tracks. When not racing, care for your horse will cost around $150 a month.

An easy way to get started is to run a horse at the smaller, half-mile tracks. Racing costs average only $10 a day there and you can get the same "heart-in-throat" thrill when your horse comes pounding down the stretch as the owner of Riva Ridge got at Belmont.

Mutual funds in U.S. securities

Let's say you want to pull some money out of the stock market and let it sit for a while on the sidelines. Where do you put it? Short-term Treasury bills don't pay much, and you're hooked on a deadline.

An alternative may be to purchase government securities through a specialized mutual fund which trades in them. The Fund for U.S. Government Securities has been averaging a return of 7 per cent or better and you can get in and out from one day to the next with no penalties.

This fund charges a 1.5 per cent sales fee for shares valued at $10,000 or less. The fee goes down as the amount rises above $10,000.

The Reserve Fund also deals in government securities but the ones it buys are shorter term. The Reserve Fund, therefore, is less speculative and pays around 5.6 per cent. It does not charge a sales fee.

For more information, write: Fund for U.S. Government Securities, 421 Seventh Ave., Pittsburgh, Pa. 15219; and The Reserve Fund, 1301 Avenue of Americas, New York, N.Y. 10019.

Sex and smoking

Dr. Daniel Horn, smoking expert (or, rather, "stop-smoking" expert) with the U.S. Public Health Service, says there's no definite, clinical proof but "a good number of people who have quit smoking claim they have better sex lives."

Maybe, he guesses, these reports are due to overall health improvement.

He notes that to keep weight down, ex-smokers often resort to brisk walking, swimming and other exercise.

As far as gaining weight after smoking is concerned, the National Heart and Lung Institute reports: "Not everyone gains weight after quitting, and those who do put on extra pounds may gain only slightly."

The Institute does say that smokers tend to gain when they stop but that added fat is "subcutaneous and not necessarily associated with mortality." Studies show weight gain over a five- to six-year period averages 3.7 pounds.

No-load fund information

No-load mutual funds don't charge a sales commission but, because they rarely advertise, they're hard to find. You can now get names and addresses of no-load funds by writing: Investment Company Institute, 1775 K St. N.W., Washington, D.C. 20006.

MR. WEAVER *writes a syndicated newspaper column on personal finance, and has a radio program which is broadcast by more than 100 stations.*

The Age of "No"

BY JAMES J. KILPATRICK

Everywhere in American life, it seems, there are tangles of negativism; is that great national asset, the "can do" spirit, vanishing?

ILLUSTRATION: BILL COLE

I write on a rainy Saturday at my home at Scrabble, Va., in the Blue Ridge Mountains. A few feet away a constant distraction is beating at the window. It is Billy the punch-drunk grosbeak. If the time is at hand to select a new national bird, let his name be put in nomination.

Billy is a powerful little bird, big-beaked, stubby-winged. Color him policeman blue. He first turned up about six weeks ago, and though he grows weaker now, he still comes back every day.

He comes back to fight his own image in the glass. Nothing will dissuade him from his suicidal course. He sees himself, and he cannot stand the sight. Relentlessly, in some mad perversity of purpose, he flings himself upon himself. He is battered and bruised, but he will not stop.

In recent years, our national gift for metaphor has provided some striking ornithological symbols: We speak of "hawks" and "doves." But an impression is growing, and I offer it to you, that a more accurately descriptive symbol lies in the blue lunacy of my wet and angry friend outside.

Throughout the world, America's image ordinarily is defined in terms of material greatness—in terms of bathtubs, telephones and TV sets. We have more of everything than anyone else. Look at the record.

But that material greatness was built upon a tremendous foundation: a greatness of spirit. And it is this greatness, this inner strength, that we ourselves are battering to bits, little by little.

What have been the principal elements of our spiritual greatness? A Bicentennial Commission is undertaking to define them now, as we look to the 200th anniversary of the Declaration of Independence. Any student of American history, given pencil and pad, could jot down 20 such elements in a moment.

We might begin with a reverence for God, and move on to the concept that man is not a child of the state but a child of God. We would touch upon those attitudes and convictions that so often are summed up—and so often disparaged—as the Puritan ethic. We would recall that the Spirit of '76, the spirit of independence, was precisely that; it was a spirit of personal responsibility, of self-reliance, of optimistic faith in ourselves and in our institutions.

One such element, I mean to say, was the spirit of "can do."

Somewhere on the campaign trail this past spring, I heard Hubert Humphrey make a little speech on

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MR. KILPATRICK *is a Washington-based correspondent whose column, "A Conservative View," appears in 250 American newspapers. He also frequently appears on network television.*

that theme. He was talking to an audience of deaf children, while a Catholic priest translated in sign language. Some of the more sophisticated members of the traveling press listened with visible fidgets and scarcely concealed ennui. I thought it was one of the former Vice President's most effective talks.

He was speaking of triumph over adversity, of determination as an aspect of our national character.

The words came tumbling out and the priest was wigwagging furiously. Then Mr. Humphrey stopped abruptly, and asked the children to think of the last four letters of "American." You could see their faces light up as they caught his idea.

"I can," cried Mr. Humphrey, reaching through the deafness. "I can! That's the essence of America!"

I think of Hubert Humphrey, and I think of Billy the punch-drunk grosbeak. We are come upon a new age of the "anti," a time of the "can't do." At every turn, it seems to me, our nation encounters great tangles of negativism. It is like swimming through seaweed. Very few issues in public affairs are expressed these days in affirmative phrases. The best we can do, it appears, is to go halfway: We favor "reform." Otherwise the great movements of our time are expressed in hostile or negative terms.

We have a "war against poverty" and a "war upon crime." Our demonstrators are engaged incessantly in "protest." Various components of society are "anti-establishment," and "antipollution," and "anti-Pentagon," and "anti-business," and "anti-labor." Almost every correspondent on the campaign trail has sensed and reported the same "dis" phenomenon—disillusion, disenchantment, disappointment.

To write of these things is to risk a pitfall of misunderstanding. Let me try to avoid it. No person in his right mind, and certainly no businessman, is "pro-poverty" or "pro-inflation." It ought not to be necessary to emphasize, in writing about some of the excesses committed in the name of ecology and safety, that one is not pro-pollution or pro-accident.

I want to say something critical about the Federal Trade Commission, which embarked recently on a remarkably silly proceeding in the name of fighting unfair and deceptive advertising. A disclaimer ought not to be required, but, alas, it is: I am not now, and never have been, in favor of unfair and deceptive advertising. O.K.?

The whole might and majesty of the United States government, operating through the agency of the FTC, is engaged in a proceeding against the bakers of Wonder bread and Hostess cakes. This is among the allegations: That by emphasizing the vitamin and mineral supplements of their products in their advertising, the defendants unfairly and deceptively were appealing to

The Age of "No" *continued*

the guilt feelings of American mothers. I am not joking. The line of reasoning, if so it may be described, is that susceptible and permissive mothers tend to buy many non-nutritious products for their children. They feel badly about this. They wish they were better mothers. But they are weak. Then they encounter an ad for Wonder bread or Hostess cakes. To assuage their guilt, they rush forth to buy the products. And because these products are no more wholesome than many other baked products, the advertising is unfair and deceptive. The FTC proposes to tell the bakers they can't do it.

The proceeding is absurd, but it is no more absurd than a hundred other ventures undertaken by the federal government in the name of consumer protection. Over a period of several years, at a cost of hundreds of thousands of dollars, the Food and Drug Administration waged an exhausting campaign against the makers of vitamin pills. This was a Dickensian affair, cast in the interminable pattern of *Jarndyce* v. *Jarndyce*, the chancery cause that lasted a hundred years. The Great Vitamin Case long ago became a bore; I have lost track of it, and do not care how it turned out. But the FDA proceeding was silly, insignificant and vain. Its object was essentially negative.

This same spirit, pervading both the Congress and the FDA, has very nearly throttled the drug industry. Approvals of new drugs have dwindled because it is so difficult to satisfy the bureaucratic demands of an agency dedicated to "can't do." Panels of experts—most of them nonpracticing academicians—have acted to ban hundreds of drug products that practicing physicians have found effective for their patients. A highly promising product for treatment of arthritis—its properties are not fully understood—has been kept off the market. The approach is negative, negative, negative.

Again, a caveat: As editor and writer, I have been fighting pollution for more than 25 years. Because I live in a mountain area of clean air and pure, rushing streams, I am acutely conscious of foul air and filthy rivers. I hate noise; I hate litter; my instincts go so excessively to order that my sons call me "Mr. Super-Tidy." Yet I am increasingly dismayed by the absolute negativism of the ecology zealots.

They are obsessed with saying "No."

To those who have not flown from, say, Juneau to some point above the Arctic Circle, the vastness of Alaska is simply unimaginable. It is wild, and wildly beautiful; it has a magnificent innocence, at once both powerful and fragile, that ought to be preserved. But the prospective benefits of the trans-Alaskan pipeline are so great, and the ecological damage in this vastness is so infinitesimal, that it seems to me impossible to justify the clamor against this vital undertaking. Yet the project, despite the Interior Department's carefully weighed approval, still faces years of costly and wrongful delay.

Much has been written of our nation's "energy crisis," and much of the nation remains unbelieving. But the crisis approaches. With every month that passes, we become more and more dependent on foreign sources of supply for the fuel oil effectively required by antipollution laws. Efforts to develop more atomic energy plants have stalled.

At some point not far down the road—five years, 10, 20—the negativism of 1972 will claim its cost in terms of a power shortage; and that shortage will not be calculated in bloodless abstractions—in bar charts and graphs and tables—but in the suffering of men without jobs.

A part of our spiritual greatness, I have suggested, was the old spirit of self-reliance. Methodically, as methodically as Billy upon the windowpane, we are battering the life out of that spirit. The whole malodorous mess of public welfare is merely one manifestation of the destructive currents at work. Large elements of the business community are no less supplicant, no more opposed to subsidy. Twenty years ago, one out of eight persons worked for government in some capacity; in 1971, the figure was one out of six, and the trend grows out of hand. As a reporter, I watch the retreat from independence, covering the withdrawal from each sector as if I were moving pins on a map.

The idea of public welfare as a way of life is an idea new to this generation, but the idea has taken root. In some curious way, not clearly comprehended, a new "right" has gained political acceptance—the right to public assistance.

In our largest cities, the press regularly is summoned to attend a march or demonstration or protest or forcible take-over, as apparently healthy and overweight welfare recipients assert their right to food, housing and new furniture at public expense. The demands never are resisted directly, by challenging the existence of the asserted right; the demands are resisted indirectly, in the pathetic explanation of public officials that they lack sufficient funds.

We observe, in this fashion, the Phenomenon of the Vanishing Threshold. One would suppose, in some of these great areas of governmental expansion, that a threshold question would have to be met: Should a given program be undertaken at all? Such questions appear now and then, but they tend to evaporate.

It is hard to recall when anyone seriously challenged the role of the federal government in housing. The question long ago became: How many units?

Such concepts as the negative income tax and guaranteed family income are novel, but their novelty seldom is discussed any more. The question is simply: How much? The phenomenon is at work in the field of medical care, or "national health insurance." Somehow the threshold has vanished, and all that remains to be debated are the benefit levels: False teeth, yes; eyeglasses, no.

continued on page 42

Armco Building Dealer: Amherst Building Co., Cincinnati, Ohio

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The Age of "No" *continued*

One of the most stirring arguments of 1971 had to do with a remarkable child development bill. In the form in which it reached the President's desk, it proposed a kind of modest sovietization of American children. Mr. Nixon took one long, horrified look, and vetoed the bill.

But it is coming back. The new version is trimmed of some fatty jargon; it has picked up a parsley garnish of lip-service clauses praising the role of the family; but for all practical purposes it is the same bill. And the threshold is disappearing. Not a single member of the reporting Senate committee argued the propriety of the federal government's embarking upon a pervasive plan of child development. The argument went to the cut-off level of community eligibility: Should the new program be confined to cities of 2,500, or of 25,000, or of 100,000?

The sands of self-reliance are shifting not merely in these areas of personal or family responsibility, but in vast areas of the business community also. A thousand examples could be cited. Let me mention one large one: the supersonic transport plane.

Some of us on the conservative side objected strongly to the appropriation of tax funds toward an essentially private, commercial venture. (We had reservations also about the economic feasibility of the SST, in terms of initial cost and operation factors, but this was beside the main point.) We did not understand why, in the last resort, when the bill was going down the drain, private capital could not come to the rescue. The money involved was peanuts. If the SST were all that good, and its future all that rosy, why impose on the taxpayers?

Something was missing: It was the spirit of "can do." The venture capital was not forthcoming. There was a faltering, a want of confidence, a kind of leukemia eating at our capitalistic corpuscles, and it was all the more lamentable because it affected one of America's greatest roles in world leadership. The prototypes were abandoned, and the momentum lost.

The story of the SST was a complicated story, as all of us knew who were close to the fight, and I plead guilty to skipping the complexities here. My point is simply that the American supersonic entry died of negativism. We looked at an image of boldness, of invention, of vision and competition—and smashed ourselves on its reflection.

These are not easy times for American business. These are hard times. I think they are likely to get worse. My airborne view of the watershed shows half a dozen rising rivers, all of them separated at ground level, but all coming together in a swollen flood.

The political forces of this election year will compel changes in tax laws that will add to basic costs. The Social Security bill passed in June will impose a heavy burden upon high-labor-cost industries. A third such tributary, scarcely yet perceived, is national health insurance. The impact of environmental improvement laws is just beginning to be felt. An article in the June NATION'S BUSINESS vividly sketched the cost that will be imposed by new safety legislation. The rage toward consumerism is not yet exhausted.

And underlying all these visible rivers is a kind of ground water that cannot yet be measured; it can only be sensed in the discontent of young intellectuals, in the leveling egalitarianism of the campaign pledges, in a subtle reversal of directions. In the lexicon of this Newspeak, success is failure, bigness is badness and forward is backward.

To be sure, there is another side to all this. Motion cannot be described without reference to some point of view, and there always are other points of view.

No countryman would subscribe to the view that all growth is desirable; he has to cope with honeysuckle and with thistles. Neither is bigness necessarily to be equated with goodness; in labor, industry, government and communications, bigness has its drawbacks.

And I am not suggesting that every consideration should be sacrificed in order to maintain what the conventional wisdom, at any given time, would regard as forward motion. Other values, other points of view, may be wiser still.

What concerns me here is a shifting of attitudes, an ascendancy of the "anti," a waning of the "pro." Those of us in middle age will recall a comic strip character who was "always debunking." Up to a point, the debunking art is a healthy art. Beyond that, where one is *always* debunking, we get into something sick.

The sickness spreads, and it takes an infinity of forms: We fail to create heroes, or we create anti-heroes. We look at our own image, and find it antagonistic: The Voice of America and Radio Free Europe are thus imperiled. We publicize those things that are wrong about business, which is all well and good, but the negativism becomes obsessive: We obscure those things that are right about business.

One of the code words of our time is "anti-establishment," but the essence of a code is that it must conceal some meaning; and the word conceals no meaning. To be blindly anti-establishment—anti all establishments—is to engage in nihilism, in a process of tearing down with no thought of building up. It is to exhibit the intelligence of my mad friend at the window, Billy, who has just flung himself for the thousandth time upon his own image.

It is time, I think, as the old song advised us, to accentuate the positive, and to rise above the futile fluttering of a grosbeak's wings. END

REPRINTS *of "The Age of 'No'" may be obtained from Nation's Business, 1615 H St. N. W., Washington, D.C. 20006. Price: One to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Enclose remittance with order.*

This is the ad the Racing Form refused to print!

Winning at the Races May Not Be Your Idea of Fun, But...

Here I sit, trying to write about Larry Voegele. And all the while I'm working and sweating, the guy I'm writing about is out at the racetrack. Not a worry in the world—and probably making more money in a day than I make in a week.

What's his secret? *He knows how to beat the races. Really* knows. Knows so much that he runs a school for handicappers. (It's the only one of its kind in the world. Which is why he was asked to appear on "What's My Line.")

He charges his "students" two hundred bucks apiece. He tells them that if they're not completely satisfied he'll return every cent they've paid, and *nobody* has ever asked for his money back.

What's more, he went on a live radio show (The Pete Smith Show on KMPC, February 20, 1971) and did something that had never been done before. Mr. Smith really threw it to him: asked him to pick the winners in the 7 races that were being run at Santa Anita, while the program was on the air. Two out of seven would have been good enough to show a profit. Three would have been phenomenal. Larry Voegele picked *five!*

If he'd been at the track betting, say \$20 on each race, he would have picked up a cool \$404... net profit! Not bad for an afternoon's "work."

And all the knowledge that Larry publicly *proved* that day... *every* fact that he teaches in his \$200 course... is in his book.

If you've never bet on a horse in your life, you'll read and enjoy every word. And end up understanding more than most guys who have been following the ponies all their lives.

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Why? Because you'll *know* more than 95% of the people who go to the track —and you're betting against *them!* The money they lose, *you'll* win! The track and the state take their cut, but there's plenty to go around.

At Santa Anita, for example, over *two million dollars* is bet every day. And it's a statistical fact that only one out of 20 walks out a big winner. You can be one of them!

Larry Voegele doesn't look like a racetrack tout. He's not.

He's a college graduate. He was the editor of a newspaper. He was a legislative assistant to a congressman.

He was a stockbroker, working for a major Wall Street firm. *Was* because he found out that investing in horse races was *safer*—and more profitable—than trying to beat the Bulls and the Bears at their own game.

And that's the secret of his book. He approaches handicapping as a *professional*. It's *scientific*. No "hunches." No "tips." No so-called "systems."

It isn't even "inside information." Just simple, hard *facts*. Facts that *anyone* could see if they knew what to look for. In short, if they knew what Larry Voegele knows—and tells in his book.

It'll take you about an hour to read it. Another hour to practice what he preaches.

Then if you do *exactly* as he says, step by step... if you don't get reckless or greedy... you'll be on your way to the kind of life you want.

Is that worth a 2-hour investment? Because that's all you're risking. Just time. Not money.

Here's why: your check or money order will *not* be deposited for two weeks *after* your copy of the book is mailed. That'll give you plenty of time to receive your book, read it thoroughly, and put the principles into *action*.

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Ever heard of an offer like that? No. But there's never been a book like this either.

As to the price—*if* you decide to keep the book. Frankly, we didn't know what to charge. It isn't just paper and ink. It's *information*. Facts that dozens of people have paid \$200 to gain—and were satisfied to pay.

Verified Results of the Voegele Professional Method of Winner Selection

Hollywood Park (75 days)
675 Races, 222 Winners
Avg. Win Price: \$9.00 32% Winners
Net Profit \$20 Flat Bet to Win: \$6,480.00

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540 Races, 183 Winners
Avg. Win Price: \$9.60 33% Winners
Net Profit \$20 Flat Bet to Win: \$6,666.00

Bay Meadows (64 days)
576 Races, 178 Winners
Avg. Win Price: \$8.90 31% Winners
Net Profit \$20 Flat Bet to Win: \$4,356.00

Santa Anita (75 days)
675 Races, 218 Winners
Avg. Win Price: \$8.68 32% Winners
Net Profit \$20 Flat Bet to Win: \$6,237.00

Pimlico, Winter 1971 (30 Days)
270 Races, 97 Winners
Avg. Win Price: \$9.84 35% Winners
Net Profit \$20 Flat Bet to Win: \$4,140.00

Hialeah (40 days)
400 Races, 147 Winners
Avg. Win Price: \$7.80 37% Winners
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But there aren't many people who can afford that kind of money. Even for a sure thing.

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OK—I'll take you up on your offer. Send me Larry Voegele's book. Enclosed is my check or money order for ten dollars, but DO *NOT* DEPOSIT IT FOR 14 DAYS *AFTER* YOU SEND MY ORDER.

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LESSONS
OF
LEADERSHIP

PART LXXXVIII

C. Peter McColough of Xerox Corp.

Avoiding the "big-company syndrome"

In 1942, a Rochester, N.Y., cab driver invested $1,000 in a modest-sized home town enterprise called The Haloid Co.

Today, that investment is worth well over $2 million. The company, which has increased the number of its shares 180-fold through stock splits since 1954, is now known as Xerox Corp.

Its revenues, $66 million in 1961—the year after it began marketing one of history's most successful products, the Xerox 914 copier—totaled $1.96 billion in 1971, and should easily top $2 billion this year.

The story of Xerox (the name comes from a coined word, "xerography," stemming from *xeros*, the Greek word for "dry" and *graphein*, Greek for "to write") is of course one of the most striking in the annals of American business.

Exceedingly talented men have had leading roles in that story. Foremost in the current chapter is C. (for Charles) Peter McColough, a native of Canada who started out in law but went on to triumphs in industry that are the stuff of which dreams are made.

Mr. McColough, a graduate of Halifax's Dalhousie University Law School and of Harvard Business School, was a vice president at the comparatively small Lehigh Coal & Navigation Co. in Philadelphia in 1954 when he talked with the late Joseph C. Wilson—long Xerox's chief executive officer, and the man who made the key decisions in its development of its revolutionary copiers. The infant art of xerography was "all promise," Mr. McColough says, but he signed on.

His first job was managing a reproduction center in Chicago, and from there he went on to a succession of posts, each higher ranked, in which he built up the company's marketing force and played an important part in developing its pricing system—without either of which its explosive growth would not have been possible.

He became Xerox's president in 1966. Two years later, Mr. Wilson announced he would turn to long-range planning and Mr. McColough became chief executive officer. And when Joe Wilson died unexpectedly last year at 61, Peter McColough became board chairman as well.

Only 50, Mr. McColough works very hard, is strong for social service by businessmen, but also sails and skis and spends as much time as he can with his wife and their five children, the oldest 18.

Xerox has moved its headquarters to Stamford, Conn.—the idea was to underline that its xerography operations in Rochester were only part of its interests, which include computers and educational publishing. So sailing is handy for Mr. McColough on Long Island Sound—his home, 20 minutes from his office, overlooks Greenwich Harbor. Sailing is also handy at a home he has near Palm Beach, Fla., and skiing is handy at a third home in New York's Catskill Mountains.

Like that Rochester cabbie—who is now in Florida, retired—and many others, Peter McColough has been made wealthy by Xerox stock. He and his immediate family own shares

worth upwards of $10 million, and he has options to buy much more.

He has some interesting views about riches, and about the way to run a huge corporation. They're given in the following interview with a Nation's Business editor.

How did American businessmen ever get along without the Xerox copy?

Well, there were other ways of copying documents—photographic ways. But they were very expensive. The fact is that people just didn't have the information that our copies now bring them.

And it would be inconceivable, now, ever to go back to the days when the information wasn't available.

I must say it's a mixed blessing. It's very good for our business, but when I go home on the weekend with two briefcases, I often wish Xerox had never existed.

Will the paper work explosion become greater?

It's getting greater. Every bit of information—whether it's from a copier or from a computer—somehow or other breeds demand for information, because it's available to more people. The more information people get, the more they want.

One of our company's objectives for the latter part of the '70s is not just to be able to spew out more information, but to make it more meaningful—hopefully, more selective. Bigger and faster copiers are not the answer, because you're just going to overload the mails, overload people's desks, overload everything.

What would you say is Xerox's greatest strength as a company?

I think that it's probably our aggressive spirit of innovation in depth—not assets like patents or manufacturing plants or money. We believe willingness to try new things should be general in the company, and not just connected with research and development. Related, I think, is the fact that we're a young company compared to many others. The average age of Xerox people world-wide, I suppose, is about 30.

What is the company's greatest weakness, if any?

It's very hard for me to tell you what that would be. I think the greatest fear we have about weakness is that as we grow, and we're already very large, we will get the big-company syndrome—and we will become slow and cautious, people will be afraid to make mistakes, and we'll build up barriers and fail to communicate. There's no more important thing to me in my job than trying to do what I can to prevent that.

As you get bigger and older, you very often want to play it safe. You're trying to guarantee your stature or your security.

How do you fight the big-company syndrome?

Well, for one thing, we watch our rules and procedures very carefully. As the company gets bigger, it does have to have more procedures because you can't make the same decision five times a day—which you do if you have no rules and procedures.

But you don't want to overproceduralize. If you do, the guys who get ahead are simply those who know the rules.

We want people to get ahead not because they know the rules but because they're thinking. If the rules aren't good, people should question them and they should be changed.

Also, we try to give individuals responsibility. I have a very strong feeling about committees. We have groups that study things, but I don't allow any decisions by committees of executives in the company—that's one of the ways you bring death upon you. Committees tear everything down to a decision on the lowest common denominator. The power's diffused, the authority's diffused, the words are diffused.

Another thing, we try not to have some of the trappings of a big, staid company. If a guy has a bigger job, he may have to have a bigger office because he has more meetings. But we don't get into all the hierarchy of distinctions—like the key to the executive washroom—which really start to bring on hardening of the arteries.

There are no executive washrooms at Xerox?

That's right. As a matter of fact, we don't have executive dining rooms. We don't want people to be worrying about their positions at the dining tables, and so forth. We want them to mix with other people.

We do a lot of other things to try to keep the company informal.

We're very careful to allow expression of thinking in meetings, rather than beating people over the head if they say things that are unpopular.

I'm creating a number of committees of rank-and-file employees for advisory purposes and, in some cases, for decision-making purposes. That's quite different from having committees of managers, because they don't have responsibility for operations.

Let me give you some examples.

We announced last fall that 20-odd people from the company would be allowed annually to go away on paid social service leave for a year. Rather than having the hierarchy of the company, me or a group of officers, select those who go, we selected a committee of seven, five of whom are not high-ranking employees, and gave them decision-making power.

We want rank-and-file employees to be more involved in the company. We can't allow them to vote on the dividend—by law, that has to be done by the board of directors. We can't have them vote on planned expansion.

But I'm trying to find ways to get more and more of them involved in things that affect policies of the company where they're spending their lives.

We have a rank-and-file advisory committee on minority relations—how many members of minorities should we and can we hire or promote? We're going to have another on training of salesmen and technical representatives, and so forth.

I understand it's been accepted practice for subordinates to address you and your predecessor as chairman, Mr. Wilson, by your first names.

Oh, sure. We're first-name, right through the company. Joe Wilson set that pattern. With the old factory hands, it was always, "Hi, Joe."

There are few people who don't call me Peter—no old-timers, anyway. Around the office, more people now call me Mr. McColough, but I think that's because they're new and I'm getting older.

Lowe

A family assemblage for a photograph in front of the McColoughs' Greenwich, Conn., home breaks up in a minor crisis as a puppy scampers off. With C. Peter McColough and his wife, Virginia, are three of their five children: Peter, 18, Virginia, 16, and Robert, 8. Virginia's twin, Ian, and another brother, Andrew, 17, were off at a camp in Colorado when the picture was taken.

Lessons of Leadership: C. Peter McColough *continued*

What would you say has been your most important contribution to the company's success?

I've been involved in many things here, and I really don't have a good answer for you. I suppose the closest I can come is to take some credit, along with others, for developing the method of pricing that we eventually adopted for our copiers—a charge per piece of paper.

We had a new machine back in 1960 that was very much ahead of its competitors technically. But it was much more expensive, because of its complexity, and we obviously couldn't sell it at a price that would really let us penetrate the market.

At that time you could buy copiers for a few hundred dollars and we would have had to price ours in the thousands. As a matter of fact, the early price on it for sale was $29,500.

We really couldn't have leased it, conventionally; the thinking then was to lease for a charge of so much a month, flat. If we did that, people who really used the machines very heavily would not have been charged enough. On the other hand, an average monthly leasing price would have been too high for many other people.

So trial and error, and some thinking, led to the concept of pricing for use, which was revolutionary at the time. Again, I don't want to say it was my idea alone. I was one of the guys who spearheaded it, but others were involved.

This pricing method enabled the company to get the money it needed for expansion?

Yes. You see, when that first copier was introduced in the marketplace in 1960, Xerox had been developing xerography for about 12 years and had some xerographic products, but had grown only modestly.

We were only, I think, a $30-odd-million company in revenue. But we took off rapidly from that point, and certainly pricing and marketing were very important in the total picture.

Getting back to your company's willingness to take chances, I assume its entry into the computer field was a big risk.

Right.

Are you considering any similarly big ones?

We aren't considering major acquisitions such as we did in the computer business, where we invested over $900 million of capital stock in 1969 to buy Scientific Data Systems. But we're trying to make sure we're just as willing as ever to take major risks in product development. We have research and development expenses this year totaling about $127 million.

A number of our programs represent enormous risks. We have a product coming up where we'll have well over $100 million invested before we get one nickel back from the customer.

There always is great risk. You face the situation where, just as you're ready to announce your product with its $100 million investment, somebody else turns out to have done something different that's better, perhaps.

However, though I can try to sit here for the next 10 years and never make a mistake anybody can pin on me, in doing that I'd be making the biggest mistake of all. Because I wouldn't be taking any chances.

We're still willing to stick our necks out.

For a long time, Xerox was virtually alone in the nonsensitized-paper copying field, but now you have a number of competitors. How much effect is this having?

Well, we had the first plain-paper copier, as we call it, and to date, the only real competition we have had, with some minor exceptions in Japan, is from IBM. They've been in the market since April, 1970, and while I'd say they are rough competitors, the impact on our revenue and profits has been very, very small.

There are other copiers out now, in Germany, and there will be more. But we think we will be very competitive. Over the next few years we will have a completely new product line which we call second generation xerographic equipment, the first of which is the Xerox 4000, introduced last year.

Your entry into the computer business has not been profitable so far?

No.

When do you see profitability?

I don't know, frankly. Not for a couple of years, anyway.

What share of the computer market do you eventually hope to have?

That's a difficult question, because our whole product planning as we move through the '70s is to bring about an integration of computer technology with graphic technology, and as we do this we won't draw a distinction between the computer product and the copier or graphic product. We'll be talking about one overall market.

It clearly was not one of our objectives to take on IBM head-on in computers and try to say we're going to have half of their market share, or a quarter, or anything else.

And obviously, IBM is moving in the same direction we are, from a different vantage point. They're trying to move from a preeminent position in digital communications into graphics just as we're trying to go from a strong position in graphics into a strong position in digital communications.

The product lines are going to blend as we go down the pike.

Could you give us your current estimate of the rate of your company's growth?

We're planning an annual growth of 15 to 20 per cent over the next five to seven years. We can't see a limitation on growth, since business in both developed countries and undeveloped countries is growing very fast. Last year, for the first time, over 50 per cent of our pretax profits came from operations outside the United States.

I understand there's quite a bit of humor in the executive offices at Xerox.

We try to have humor here. I'm a practical joker.

For example, some years ago we were having a hundred very important government customers come to a seminar in Los Angeles. I was invited, but I couldn't go, so I was asked to videotape a message.

I did it, from a script. Then I decided to have some fun with the guy who was to run the seminar—an old friend of mine, in the company a long time.

So I taped a second message, just off-the-cuff. I started by thanking the government representatives for coming. But then I went on to really insult them, saying: "We're very pleased to have you here, but we're also concerned, as a big taxpayer. You guys waste so damned much money. And you don't know how to develop your products in the military."

I won't go through the whole story. But we sent that to Los Angeles and they showed it to this guy who was running the meeting and he nearly had a heart attack before they set him straight.

You were born in Nova Scotia and, as a Canadian, served in the British Navy in World War II. How did that come about?

Well, I was interested in going into the carrier end of the business—to be a flier. Canada had no carriers, and the only way was to join the British Navy.

I never did become a carrier pilot. I was washed out because of poor depth perception.

So what did you do in the war effort?

Practically nothing. I was a charge on the British taxpayer. The only thing I can say is that the Royal Navy only paid me two and six a day, which in those days was a little more than half a dollar.

What led you to move to the U.S. a few years after the war?

Well, I'd gone through law school and I was clerking, as we had to in Canada for three years, in a very good corporate law firm in Toronto. The head of the firm advised me that I really should have a knowledge of finance and accounting—that they did more business than law.

So I went to Harvard Business School and took finance and accounting, and then I decided to stay in business. As a matter of fact, I was fairly sure I'd rather be in business before that.

I went back to Canada for a year and a half after I graduated—I was a chemical salesman in Toronto—and then decided I wanted to go back to the United States because I just didn't see the opportunities I wanted in Canada.

Do you look for any of your five children to follow your choice of careers?

I hope they won't. I would like my sons to do what they want—it will be their decision—but if they asked my advice, I would say: "Try to have as little comparison as possible in your life with mine."

If they go into business they'll say to themselves: "Well, my father became the head of a great big company. When did he make his first million dollars? How about me?"

I've had a very good career, but Xerox happened to be the right place at the right time. I'm not unmindful that there's a lot of luck and timing in life.

I didn't follow in my father's career. He was a professional engineer, and I'd hate to be an engineer.

Has any legacy from your father been particularly important in your career?

My father made me very independent. He was reasonably well-to-do by Nova Scotia standards, but when I started at college he called me to his office one day and said:

"I've got four children and a little bit of money and when I die you'll divide it equally. I can pay for your tuition. But I think it's very important to be able to stand on your own two feet. So you can go to college anywhere you want—as long as you want—but you're going to be respon-

Lessons of Leadership: C. Peter McColough *continued*

sible for your tuition. You'll work in the summertime, but that probably won't bring in enough, so you're going to finance your education with a note that I'll endorse."

I'd never seen a note before.

He said: "You go over to the Royal Bank of Canada and as long as you want to go to college, I'm not going to have any restrictions on you. You can borrow what you need."

Well, to make a long story short, I didn't need too much, though I didn't stint on my living. When I finished Harvard Business School in 1949, I owed the Bank of Canada $7,500. And I paid it back.

I don't know if I'll do that with my kids—it's more expensive to go to college, now—but I think it was a great system and I never resented my father's attitude. He could have given me the money, and I think it was harder for him to say I had to borrow it. He did help me to the extent that his name was good for the endorsement, but I never owed him for my education.

You've said that your personal effort at Xerox is no longer a matter of making money. What is it, if not that?

Well, it's the challenge. It really is pretty meaningless to me whether

Good Fortune, Private and Public

An individual investor who has made a fortune in Xerox stock tends to be reluctant to talk about it for public consumption. It's a matter of privacy—and of being spared annoyance of one sort or another.

The cab driver mentioned at the beginning of this article, for example, does not wish to be identified. And he is not the only one.

John H. Dessauer, retired Xerox executive vice president whose book, "My Years With Xerox," was published in 1971, says a number of people have told him of making huge profits on modest investments in the company. They had bought stock early and held it over the years, opening new ways of life for themselves and their families.

None of them are anxious for the world to know who they are.

One investor who isn't loath to discuss a success in Xerox is Hulbert W. Tripp. But he wasn't investing for himself.

Mr. Tripp, who retired more than a year ago as vice president for finance at the University of Rochester, put some $200,000 of university funds into the company (then still known as Haloid) in 1950. The investment, he recalls, "was from what we called our funny money account—funds we'd set aside for speculation on unusual things."

What happened to that "funny money" brings broad smiles to faces at the University of Rochester. It still has Xerox stock worth some $145 million, says Mr. Tripp, after realizing another $34 million from sales of Xerox shares.

This bonanza has helped make possible major increases in enrollment and facilities at the school (total endowment: $560 million). Not only has there been the direct benefit from so profitable an investment, Mr. Tripp says, but the evidence "of good money management" by the university has brought in many donations.

Is Mr. Tripp proud of making that judicious investment in 1950?

"If I deserve credit for anything," he says, "it's having had enough guts to hold onto the stock all those years—through good and bad."

Is Mr. Tripp, a member of the Xerox board of directors, familiar with individuals whose investments have similarly prospered?

"Well, most of them have been inside the company. There are some others, but people have a tendency not to hold on, in a case like Xerox's, when the stock starts going up.

"There's my house, for example. No $20,000 mortgage on it anymore.

"But selling some of my Xerox stock to pay it off cost me, in the long run, $1 million."

I die with more money than I'm worth today. I don't even know how much that is, though it's millions of dollars. In the first place, the government will take most of it, and also I'm not at all convinced you do your children any great favor by leaving them a lot.

But I'm a competitor by nature. I love to win. I hate to lose. I think that's the fun of it. I hope that when I die or leave this company I'm worth three times or four times as much—not because of the money but because otherwise the company won't have done very well in the meantime.

And I really don't need the money. I can't spend what I've got now and I don't try to. I suppose if you're making $5,000 it's very important to make $7,000 so you can have a car. But you quickly realize you only need so much food, and you can only wear so many suits. Unless you want to join the jet set or something like that—impress people—there's really a limit to what you can do.

The guys who have led Xerox have had a drive to make it a great success, but it was never so they could become wealthy personally—though they knew that if they did the job they'd become wealthy.

The inventor of xerography, Chester Carlson, gave almost all his money away before he died. Joe Wilson gave the bulk of what he'd made. The drive was to try to build something; the money really was scorekeeping.

You were quoted some time ago as saying you give 30 per cent of your income to charity. Is that still the case?

I don't like to talk about it, but I do that much and a little more.

Mr. Wilson was an active Republican and you were a Humphrey delegate at the '68 Democratic convention. Are such political differences typical in your company's upper echelons?

We try to encourage everybody to be active politically, but we have no interest in whether they are Republicans or Democrats or even socialists. I would say we're pretty well split here. And I think that's the way it should be. I would not want the company to have a particular political flavor.

Do you have a philosophy about the type of life a businessman should lead?

I'm going to sound like I'm moralizing, but, well, I think it's important to lead a balanced life. If you don't, you can get in trouble.

When I was young, I never had much question that I could earn money, though I was not wealthy to begin with, by any means. But I always had a fear that I might wake up some day at 65 and have all the money in the world—and that's all. I was very mindful, growing up in the Thirties, of the guys who jumped out of the windows in Wall Street when they lost their money.

Their whole life was to make money and their life was over when they lost it.

Well, that's not the way I think. While I like my job, I really don't make it my whole life. I'm not even sure it's the most important part of my life.

I'm very close to my family. I do a lot of things with my boys, my daughter, my wife—sailing, skiing and so on. I try to balance my work with vacations; I take a lot of vacations, adding up to at least six weeks a year.

I find that you can't always be second-guessing yourself when you have a lot of responsibility. I cut myself off completely when I'm on vacation.

And you know, you keep your balance by having other interests. I'm on four university boards, and there are other outside activities, many of them.

My philosophy in life, really, is that all you can do is the best that you're able to do because of the brains God gave you. In the time that's available—which is never enough for anything.

And if you can say to yourself, "I've done my best," that's all you can ask of yourself. END

REPRINTS *of "Lessons of Leadership: Part LXXXVIII—C. Peter McColough of Xerox Corp." may be obtained from Nation's Business, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.*

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Is It Time to Reform the Property Tax?

"A weird combination of overtaxation and undertaxation," a conference of experts called it—one that provides an incentive "for what we don't want and a disincentive . . . for what we do want"

Much too much nonsense is being spoken and written and believed about the property tax.

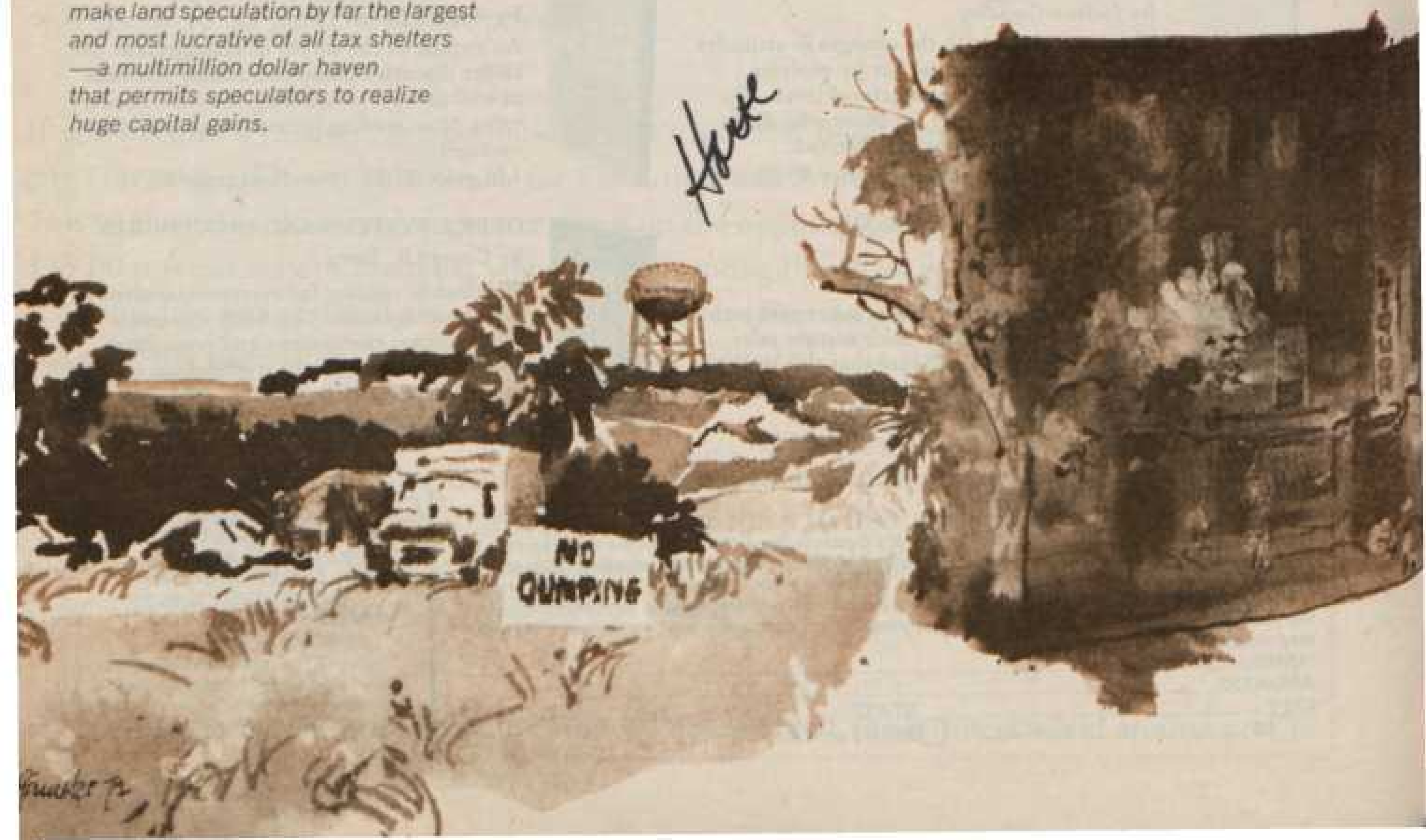
Not one taxpayer in a thousand, and not one businessman in a hundred, understands what is wrong with it. Even assessors charged with its administration are too apt to confuse it with an income tax—they grossly underassess land that is kept so underused or misused that it is earning too little income, and then grossly overassess land whose owners have put it to good use to earn a good income.

The one and only thing most taxpayers seem to know about property levies is that their bills keep getting bigger and bigger and bigger.

And indeed, property tax collections have multiplied by eight since 1939. But nobody seems to realize the reason: Over these same years local government costs have multiplied by more than 13.

ILLUSTRATION: PAUL HOFFMASTER

In most tax districts, says the author, underassessment and undertaxation make land speculation by far the largest and most lucrative of all tax shelters —a multimillion dollar haven that permits speculators to realize huge capital gains.



Local government has become America's biggest growth industry, and somebody has to pay its costs.

There is another aspect of property taxation that few taxpayers realize—or seem to care about. Its misapplication is the biggest single cause of blight in our cities, and of the sprawl in the suburbs that prematurely urbanizes millions of acres which should be left open country for years to come.

In too many tax districts, improvements are taxed so heavily that there is little if any profit in them unless they are given some kind of open or hidden subsidy (and often as many as four different kinds of subsidy).

Conversely, land is taxed so lightly that in-city landowners are under too little tax pressure to put it to good use and suburban landowners can afford to hold millions of acres, needed now for orderly growth, off the market until they can get tomorrow's prices today—thereby forcing developers to leapfrog far into the boondocks to get land they can afford to buy.

Sadly unwise

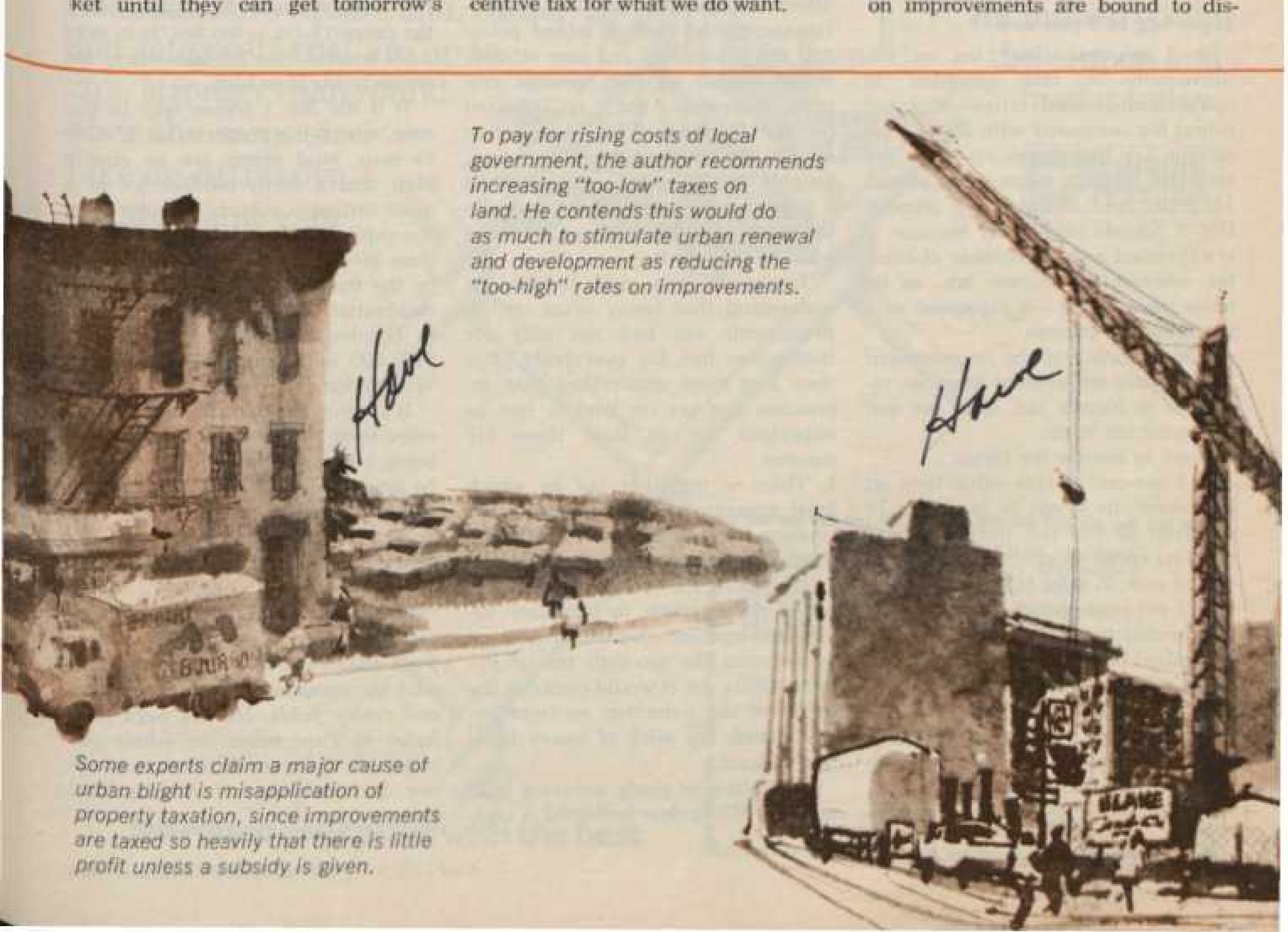
Said the consensus of a round table conference of urban experts cosponsored by the Conference of Mayors, the Council of State Governments, the National League of Cities, the National Governors Conference, the International City Management Association and the National Association of Counties:

"Wisely applied, the property tax on which local governments depend for 87 per cent of their tax revenue could be one of the . . . fairest of all taxes; but as most cities apply it today it may well be the very worst—a weird combination of overtaxation and undertaxation, an incentive tax for what we don't want and a disincentive tax for what we do want.

"It harnesses the profit motive backward instead of forward to both urban renewal and urban development. Too often it makes it more profitable to misuse and underuse land than to use it wisely and fully, more profitable to let buildings decay than to improve them or replace them.

"Too few tax levyers seem to understand that the property tax is not just one tax; on the contrary, it combines and confuses two completely opposite and conflicting taxes, and it would be hard to imagine two taxes whose consequences for urban renewal and urban development would be more different.

"One of the conflicting taxes . . . is the tax on the improvement—on what past, present and future owners of the property have spent or will spend to improve it. And it must be obvious to anyone that heavy taxes on improvements are bound to dis-



To pay for rising costs of local government, the author recommends increasing "too-low" taxes on land. He contends this would do as much to stimulate urban renewal and development as reducing the "too-high" rates on improvements.

Some experts claim a major cause of urban blight is misapplication of property taxation, since improvements are taxed so heavily that there is little profit unless a subsidy is given.

courage, inhibit and often prevent improvements.

"The other levy . . . is the land tax—the tax on the unimproved location value of the site, on what the property would be worth if the owners had never done anything or spent anything to improve it. . . . And it must be obvious to anyone that heavy taxes on the location cannot discourage or inhibit improvements; on the contrary . . . [they] could put effective pressure on owners to put sites to better use so as to bring in enough income to earn a good profit after paying the heavier taxes. . . .

"You would think every city would try to tax land heavily and tax improvements lightly if at all; but just the opposite is the case. Almost every city collects two or three times as much money from taxes on improvements as from taxes on lands. In fact, many cities tax improvements more heavily than the combined local, state and federal taxes on any other product of American industry except hard liquor, cigarets and, perhaps, gasoline."

How big is 3 per cent?

A 3 per-cent-a-year tax on improvements—a rate exceeded in many hard-pressed cities—may not sound big compared with the federal income tax that scales up to 70 per cent and actually takes away almost 11¼ per cent of consumer income. But it sounds small only because it is expressed as a percentage of capital, whereas the income tax—as its name makes clear—is expressed as a percentage of income.

The enormity of the improvement tax becomes self-evident when we restate it in income tax, sales tax and consumer tax terms.

- First, in income tax terms:

A 3-per-cent-of-true-value levy on improvements is apt to tax away 75 per cent of the net income a new building could otherwise earn.

- And now, in sales tax terms:

A 3-per-cent-of-true-value levy on improvements is the instalment plan equivalent of a 52 per cent sales tax; i.e., it will cost the improver as much as a 52 per cent lump sum sales tax would cost him if he could finance it at 5 per cent interest over the 60-year life of the improvement.

- And finally, in consumer tax terms:

A 3-per-cent-of-true-value tax on improvements will cost the consumer more than a 25 per cent consumption tax; i.e., it will add more than 25 per cent to the rent a tenant must pay, or more than 25 per cent to the carrying costs an owner must meet.

Other people's money

Conversely, most tax districts assess and tax underused land so lightly that its owners can hold $1 million worth of land off the market at a net yearly tax cost seldom if ever exceeding $10,000 while its price climbs an average of $60,000! Such undertaxation has made land speculation by far the biggest and most lucrative of all tax shelters—a multibillion-dollar one that allows speculators capital gains treatment not only on their own investment but on the many-times-bigger unearned increment their "ripening" land derives from the investment of other people's money that is needed to make the land reachable, livable and richly salable.

(Around New York, investment by other taxpayers to pay the proportionate capital cost of added police and fire protection, and new schools, streets, water supplies, sewage systems, hospitals, etc., is itemized by the Regional Plan Association at $20,000 per residence—or, say, roughly $80,000 per acre. And that's a juicy subsidy, enabling a speculator to sell land for, perhaps, 20 times what he paid for it.)

Taxpayers may find it easy to understand that heavy taxes on improvements are bad not only for themselves but for everybody. But they also must understand that increasing the tax on land is just as important, for at least three big reasons.

1. There is no other tax by which local governments could recover the revenue they would lose by reducing the tax on improvements.

2. Increasing the too-low tax on land would do as much to stimulate urban development and urban renewal as reducing the too-high tax on improvements, for it would combine the carrot of tax reduction on improvements with the stick of heavy taxation on land.

An eight-year study covering land sales in Milwaukee indicated a startling result if improvements were untaxed and the whole weight of the city's 4-per-cent-of-true-value property tax were shifted to land: The arithmetic of property ownership would so change that, with no urban renewal subsidies whatever, it would be profitable for owners of all the vacant lots and obsolete buildings now preempting so much valuable Milwaukee land to erect buildings that make better use of the sites.

3. Unless land is taxed quite heavily—and this means much more heavily than it is now taxed—any reduction in the levy on improvements would be capitalized overnight into higher land prices.

Why? Because land on which you can erect a lightly taxed improvement is worth a lot more than land on which any improvement will be heavily taxed.

Today's almost universal underassessment and undertaxation of land is the No. 1 reason why the Douglas Commission found land prices in this country soaring 6.19 times as fast as the rest of the price level. It is the No. 1 reason why St. Louis, where the property tax is too low, is in even more trouble than Buffalo, where the property tax is so high.

It is the No. 1 reason why in Europe, where the property tax is close to zero, land prices are so crazily high that a 50-by-100-foot lot in a quite ordinary suburb 15 miles from the capital of Switzerland costs more than $60,000; the No. 1 reason why, on the fringe of London, land zoned residential sells for $120,000 an acre in Hendon, $168,000 in Hampstead, $183,000 in Ealing and $192,000 in Wimbledon.

It's also the No. 1 reason why more than 80 per cent of new homes being built in Europe today have to be land-thrifty high-rise apartments, and why private enterprise has been priced out of 45 per cent to 80 per cent of the housing market there. END

PERRY PRENTICE, *author of this article, was vice president of* Time, Inc., *from 1939 to 1965 and is still active with the company in the construction and realty fields. He has been publisher of* Time *magazine, editor and publisher of* House & Home, *and editor and publisher of* Architectural Forum.

Will We All


The practice of allowing a currency to find its own international level, already adopted by Britain and Canada, may well become universal, writes a distinguished economist; and he warns of dangers for the U.S. businessman

The floating of the British pound in late June underscores a possibility that American businessmen had better be thinking about: *All* currencies may be allowed to float.

Britain's dramatic action followed momentous events on the international monetary scene.

The Bretton Woods system of fixed exchange rates, in effect for more than a quarter of a century and crumbling for some time, finally collapsed in August, 1971, when the link between our dollar and gold was severed.

For a period of four months, every major currency floated. Then the Smithsonian agreement of December, 1971, established a new pattern of exchange rates under which currencies are permitted to fluctuate up to 2.25 per cent each way from the agreed "central value," compared to the 1 per cent fluctuation permitted under the old rules.

It did not take long to demonstrate that this wider "band" was still not wide enough to discourage speculation.

Under the previous band, speculators who felt a currency was a candidate for devaluation or revaluation could sell or buy it at relatively little risk of loss; if the devaluation or revaluation did not take place, they could not lose more than 1 or 2 per cent. The idea behind the 2.25 per cent band was to make speculation less of a "one-way bet" by making it more expensive to be wrong.

But the speculators (many of whom are actually respectable companies trying to hedge their foreign exchange risks) were not necessarily discouraged.

Many of them felt the pound sterling had been pegged at too high a rate in the Smithsonian agreement (it had gone from about \$2.40 to about \$2.60), and unfavorable news coming out of Britain in June confirmed them in this belief. A few billion dollars of speculative capital turned against sterling, and the British government wisely decided it was not going to sacrifice all its reserves in order to uphold an unrealistic exchange rate. Britain announced that the pound would no longer be kept within the 2.25 per cent band; it would be allowed to find its own level in the market.

Two years earlier, Canada had also allowed its currency to float (in the Canadian case the problem was an unwanted buildup rather than a depletion in reserves).

So now we have two important currencies that are floating, while a third and even more important one, the U.S. dollar, is no longer tied to gold, which means that we are standing aside most of the time.

The Continental currencies and the Japanese yen are still within the band, but to keep them there the central banks in those countries have had to absorb vast amounts of dollars and to put new restrictions on financial transactions. It is not clear how long this can go on. The possibility that the Smithsonian agreement will break down altogether can-

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HENDRIK S. HOUTHAKKER, *author of this article, is a professor of economics at Harvard University and a former member of the President's Council of Economic Advisers.*

Float Together?

Have - money
jumbo files

not be dismissed. What would it mean to the businessman if floating rates were to become universal?

To begin with, it should be pointed out that floating rates are not necessarily equivalent to wildly fluctuating rates.

The Canadian dollar, for instance, floated from 1950 to 1962 and again from 1970 to present, but it stayed in a rather narrow range. During the last two years Canada's dollar has rarely been at a premium or discount of more than two cents with respect to the U.S. dollar; in fact, it has generally stayed within the band agreed upon at the Smithsonian meeting, even though Canada has not promised to keep it there.

Large movements in floating currencies have usually occurred only at the beginning of a period of floating; thus, in late June and early July, the British pound dropped rather quickly from its agreed value to about $2.45.

And it should not be forgotten that, under the Bretton Woods system, rates could also be changed in certain circumstances, though such adjustments were usually made only after prolonged monetary disturbances. Actually, the belated adjustments that occurred were much larger than the fluctuations that can be expected under a system of floating rates.

Nevertheless floating rates, if they were to become widespread, would pose problems for American business, which has increasingly become international in scope.

On ordinary import and export transactions, it would become more important to watch the foreign exchange markets to take advantage of favorable opportunities or to protect against adverse developments.

Many import and export transactions, of course, are invoiced in dollars, and it would seem that the American trader does not have to worry about the foreign currency side. But this does not always follow.

Suppose the Italian lira, floating, had a tendency to become cheaper in terms of dollars. Then a department store that bought Italian shoes on the basis of a dollar price might find itself undercut by a competitor who had made similar purchases invoiced in lire.

Or take an American electronics producer who has agreed with a British importer to deliver some components over a period of time at a price fixed in dollars. If the pound were to float downward he might find his trading partner increasingly reluctant to take the agreed quantities.

Hurdle for hedgers

Perhaps more serious are the difficulties that would arise for American companies with operations located abroad. This is so because now, the foreign currencies involved in imports and exports can usually be hedged; for instance, an exporter who expects to receive German marks can "sell them forward" to a bank, and the bank then undertakes to buy the marks when they are due, at a rate fixed in advance. In the most important currencies, such forward transactions are easy to arrange at a relatively low cost.

Also, the International Monetary Market in Chicago recently inaugu-

Will We All Float Together? *continued*

rated dealings in foreign currency futures which can serve the same purpose as forward contracts with banks. However, such transactions are mostly confined to rather short periods—usually 90 or 180 days; seldom more than a year—making them suitable for ordinary imports and exports, but less so for long-term investments.

If there were floating rates, an American manufacturer who has built a plant in Belgium, for instance, could not possibly hedge the income he expects to receive from the plant during its life span of years or decades. Most of this income is likely to be in Belgian francs or other foreign currencies and therefore exposed to exchange risks.

One way to cover such risks, already widely practiced in multinational corporations, is to match assets and liabilities in the same currency. Thus if the plant is worth one billion Belgian francs, the company may also borrow one billion Belgian francs, either from banks or in the capital market. But this may be expensive, since the interest rate on the Belgian loan may be higher than on a loan in the U.S. or in some other country. For a company with operations in many countries the effort to be even in every currency may impose severe constraints on financing.

Moreover, the risk covered in this way is only the principal, not income from the investment (assuming that some income is repatriated rather than reinvested). To some extent, however, the problem can be overcome by selling equities in the country of investment, so that the income can be used to pay dividends.

Many American corporations already had to face such difficulties before the Bretton Woods system came to an end. But wider use of floating rates would probably focus more attention on them; the corporate officer with responsibility for foreign exchange (usually the treasurer) would gain in importance.

Whether greater awareness of foreign exchange risk will make corporations more reluctant to invest abroad is another, more difficult, question.

It is probably true that the apparent fixity of exchange rates under Bretton Woods helped the growth of world trade and investment, and fears have often been expressed that this expansion, which has contributed so much to world prosperity, would be hampered by prolonged monetary uncertainty.

The fears are not without substance, but we should also bear in mind that the expansion was stimulated by many other factors, among them greater political stability (at least compared to the prewar period), sharp reductions in the cost of travel and transportation, lower tariffs and domestic policies that favor economic growth and full employment. These factors presumably will continue to operate, regardless of monetary developments.

The specter of myopia

At the same time it is clear that greater reliance on floating rates would amount to a setback in international economic cooperation.

Under Bretton Woods, countries were subject to rules preventing them from manipulating exchange rates for short-term economic advantage (so-called competitive devaluation). The rules were not perfect—thus they did not require surplus countries to increase their par values in order to reduce the deficits of other countries—but they embodied at least part of a code of good international behavior.

Technically these rules are still in force, since the Bretton Woods agreement has not been formally revoked. But in present circumstances there is danger that some countries will be tempted to revert to the short-sighted tactics of the 1930s. The determination of the Continental Europeans and Japanese to prevent their currencies from appreciating, even if this requires further large accumulations of inconvertible dollars, shows how much emphasis is still placed on maintaining a favorable trade balance.

Apart from the specter of a myopic economic nationalism, there is also the very real danger of direct controls. Countries that fear a float, but do not want to change the level of their reserves, have often resorted to restrictions on capital movements, tourism and other international transactions. These controls generally make it more difficult to do business internationally, and they can easily be used as a means of discriminating against other countries. Central bankers nevertheless often favor direct controls because they would add to their power, whereas floating rates would subtract from it. And, of course, plenty of people in all countries are ready to use the balance of payments as a pretext for protectionist measures.

In view of all these dangers, it would be foolish to hail the advent of floating rates as a triumph of the free market; the net effect might well be the opposite. We must hope, therefore, that attempts to adapt the Bretton Woods system to contemporary needs—apart from widening the exchange rate band, the Smithsonian agreement did little to set up a better international monetary system—will succeed before too long.

Negotiations are under way, but progress appears to be slow, even though there is by now widespread agreement on the essentials of reform, in particular the need for more prompt and frequent adjustments in par values.

From the U.S. point of view, there may be some tactical advantage in postponing reform until the devaluation of the dollar has led to visible improvement in our competitive position, without which we could not undertake to make the dollar convertible again. But this is a minor obstacle compared to the difficulties on the other side of the Atlantic.

Present and prospective members of the European Economic Community are no longer able to negotiate individually, yet they are too divided in their objectives to negotiate collectively. It took great bargaining skill, and some brute force, on our negotiators' part to get as limited a package as the Smithsonian agreement.

In the area of trade policy, where our interests are even more directly at stake, we have so far achieved nothing.

It is, therefore, hard to be sanguine about the prospects of timely reform of the international monetary system.

How will all this affect the U.S. dollar? Paradoxical though it may


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seem, the dollar has emerged from the crisis of 1971 with greater strength than ever.

Gold has been eliminated as a monetary metal, and since nothing has replaced it, the dollar has become even more central.

Some Europeans grumble about the "dollar standard," but they are unwilling to have one or more of their own currencies serve as a reserve currency. In the longer run it may be possible to develop the Special Drawing Rights (a kind of international credit instrument that can now be used only by central banks) into a true international currency accessible to private as well as official traders.

But that will take a great deal of preparation.

The dollar's strength, it can now be plainly seen, does not rest on our gold stock, which in fact we could sell with advantage. It rests on the American goods that can be bought with it, on the vast American capital market and on the efficiency of our banking system. Because of this, we can follow international monetary developments, including possible adoption of floating rates on a wider scale, with some equanimity.

Our main concern should be to safeguard the strength of the dollar by sensible domestic policies, and to make sure that the world economy remains relatively free and not unduly encumbered by direct controls. It will take statesmanship on our part to fulfill these conditions, but past experience in this area provides grounds for confidence that we have generally been on the right track.

END

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A Strategy for Survival of the Countryside

BY SEN. HERMAN TALMADGE (D.-GA.)
Chairman of the
Senate Agriculture Committee

The Rural Development Act, writes one of its authors, is a historic attempt to halt a mass migration to the cities by creating jobs where the living is easier

At the hamburger stand where the high school crowd gathers, you can hear this kind of talk:

"I'm going to leave this place. That diploma's my ticket out. I'm going to forget where I was born."

The birthplace such a youngster is talking about is somewhere in a huge slice of America, a slice that has two thirds of its substandard housing and over half of its poverty—and where health, education and other community services are often inadequate, or even lacking altogether.

A well-worn description of our big city slums? Not at all. It's a contemporary portrait of rural America, long a symbol of the relaxed, comfortable life.

Many of our rural areas, so deeply embedded in our history and traditions, are literally struggling for survival.

There is now reason for hope for them, however.

Congress has passed the Rural Development Act of 1972 and, for the first time, we are beginning to offer that part of the country some of the help it needs on a scale equal to the challenge. It is help which should produce jobs to reverse the rural decline, and should provide a better balance in the use of our land and other resources.

The plan is of major importance to our big cities as well as the countryside. We can't solve the nation's major social and political problems, including the urban crisis, as long as 70 per cent of our people are living on 2 per cent of the land.

Let me discuss the circumstances that created the need for this historic legislation.

Modern-day exodus

In the past 25 years, some 30 million people have left our villages, small towns and small cities. The rural emigration that had begun before World War II intensified after the war as the number of family farms began to decline. Increased productivity per acre through modern methods of agriculture, and controls on production, were among factors that eliminated farm jobs.

Communities that had depended on agricultural employment for their economic health also began to decline.

Rural people couldn't find jobs or were woefully underemployed. Youngsters who went off to college had no career opportunities to lure them back.

In Telfair County, Ga., where I was born and raised, about 125 young people graduate from high school every year. A high percentage go on to college, but very few return to their home towns. An occasional doctor, an occasional lawyer, maybe, but the rest have to go elsewhere for job opportunities.

Educating each of those children through the twelfth grade, and providing them with other government services, costs the county about $5,000. When 100 leave, the county loses an investment of $500,000.

So Telfair County is exporting capital expended for education, as well as exporting the best educated and potentially most productive citizens.

At the same time it is exporting the worst educated, those who formerly would have been laborers on farms and elsewhere. They can't get jobs, either.

Lack of jobs is not the only reason people leave the countryside, of course. Maybe they don't have clean drinking water or are fed up living without proper health care, telephone service, sewage disposal systems, good roads or good cultural and recreational facilities.

For one reason or another, millions have joined the exodus—man's largest mass migration in so short a period.

Into the pressure cooker

Now where did all these people go? They flocked into the cities, turned them into overloaded pressure cookers and precipitated the terrible urban crisis that confronts us today.

Some of the better educated found careers in business, or the professions.

But a high percentage wound up on welfare. In fact, there are families who have never known any other way of life in our urban areas but welfare. They add to the great problems of crime, housing, pollution, narcotics, congestion—you name it.

Through a complete lack of planning, we made it impossible for people to remain in the countryside. And, again without an ounce of planning, we shoved them into cities without opportunity or even room for them.

One solution that has been offered is to make the cities livable—to set up program after program of channeling large amounts of money into them to attack their many problems.

Well, in the last nine years alone we have spent $160 billion trying to solve or even cope with the cities' problems, and the urban crisis is worse now than it was before we spent the first dollar.

I do not deplore the expenditure of this money. The problems are there, and they need to be faced.

But we have been trying, in effect, to dam up the Mississippi down around New Orleans with a structure that is certain to break apart eventually—when it might have been easier to build a number of smaller dams upstream.

In rural America, there are thousands of viable small towns, with functioning community facilities, that can be built upon to create a

Sen. Talmadge, in coat, inspects a new facility he helped dedicate at Abraham Baldwin Agricultural College, Tifton, Ga. He believes that educational institutions can help find solutions to rural problems.

new rural society. This is why Congress passed the Rural Development Act, which is a strategy for the survival of the American countryside.

What industry requires

There is a developing trend in industry to locate in less densely populated areas.

But before a community can even start to try to attract industry, it must have adequate water, sewerage, health and power facilities; educational, cultural and recreational programs; access by highway, rail and air; and perhaps such attractions as industrial parks.

The thrust of the Rural Development Act, the most forward-looking bill of its kind in our history, is to help communities achieve those ends by an infusion of both federal and private capital.

An extensive range of grants and loans are authorized by the bill.

The U.S. Agriculture Department's Farmers Home Administration will make government-backed loans to help finance industrial and commercial development and to install or improve community facilities. There's no general ceiling on the total amount of such loans. In addition, the bill provides $50 million a year to assist communities in developing industrial parks and related facilities; $375 million a year for planning and building water and sewer systems; and $10 million annually for general planning for development.

Funds will be available for maintaining and improving the quality of the environment in a number of ways. The bill provides for a dozen programs for abatement, control and prevention of pollution, not only in water but in the air. Even noise pollution—to the extent that it becomes a problem in rural areas—will be attacked.

The Act defines "rural areas" as those with populations of no more than 10,000, and all of them will be eligible for full participation in its programs. Communities with populations of between 10,000 and 50,000 will be eligible only for loans and grants for actual industrial and commercial development. There are 13,200 communities of 10,000 or less in this country and more than 720 of 10,000 to 50,000.

All told, they contain nearly 80 million people.

This landmark law also provides:

- A significant pilot program to test the feasibility and usefulness of nationally coordinated fire protection for rural areas. This will be an extension of the successful forest fire program operated by the U.S. Forest Service, other federal and state agencies, and owners of private forest lands.
- A major research program—using the resources of higher education—to analyze and, hopefully, solve the problems of rural development and of people on small farms. Not only the land grant colleges, but all other public and private universities and colleges, including community colleges and technical institutes, will be involved to help local groups and regional councils plan projects. And extension programs that the U.S. Department of Agriculture has operated for many years to serve farm families will be expanded into the rural development field.
- Individual loans to farmers so they can comply with new federal health and safety regulations, and to help young persons start agricultural or business enterprises.

The financing aspects are particu-

A Strategy for Survival of the Countryside *continued*

larly important. Rural areas have traditionally been capital-deficit areas. They do not have enough equity and lending money for housing construction and for business opportunities.

And most of our towns and villages lack the tax base to finance the civic improvements needed.

In the money

Money moves out instead of in.

All this can be changed. The Rural Development Act provides a method for channeling funds from the central money markets of the urban areas back to the rural areas.

Having said what the Rural Development Act is, let me point out what it isn't.

This bill is by no means an effort to relocate people involuntarily. There is no thought of that.

It also is not by any means a plan to "keep 'em down on the farm," nor is it a "back-to-the-farm" concept.

While you cannot have a sound rural economy without a strong agricultural sector, we know there will be even fewer agricultural jobs in the future than there are in this period.

Mechanization and other improved agricultural practices will continue to diminish the need for manpower.

But people do want to stay in the rural areas, and the only thing that will keep them there is adequate job opportunity.

Some of our strongest support in this effort comes from young people who prefer the type of life to be found in the countryside and don't want to be forced into cities.

It is not the intention of this legislation to urbanize our rural areas.

Two Towns: Economic Sickness and Health

PHOTOS: WAYNE WILSON—LEVITON—ATLANTA

An antiquated store, a few rundown buildings, a crumbling sidewalk and a signpost losing out to wild vines (right) is about all that's left in Metcalf, Ga., once the center of a prosperous rural area near the Florida border. But the agriculture-based economy faltered and now Metcalf is just a sad example of what can happen when there are no other jobs off the farm. Residents had to move away to find work. "Metcalf is dead" was the pronouncement of one long-time resident who joined the exodus that cut its population from a peak of nearly 1,000 to less than 200 today.

If that happens we will have failed. An important goal is to keep the charm and other qualities that make our rural areas so appealing.

Help for "Fun City"?

Many who have flocked to the cities have pulled up their roots, broken their old associations, and lost their identities as individuals—they have become just more numbers. This loss of individuality is one cause of the lack of stability that has led to many of our urban problems.

The cities facing those problems could benefit significantly from the Rural Development Act.

Take New York, for instance. It's ungovernable and unlivable, and a big reason for this is the large influx of unproductive people. One of every six residents of New York is on welfare, with many getting more money than they could if they worked.

We can stop such influxes, if we really try, and hopefully can draw back some of those already in cities. A city that has millions of people jammed into it, living as wards of the government, cannot survive.

I'm well aware that there have been programs in the past with the goal of helping industrial development in rural areas. But we have never had a bill which, in the popular jargon, "gets it all together." We have been trying to solve a growing national problem with half-way measures.

At last we have a sensible policy of balanced national growth that should strengthen rural America and maintain its unique appeal, while making better use of the land for all the people. END

Shopping mall Have

Toccoa, Ga., is a classic example of what a community attitude oriented toward industry can mean to a rural area. This spanking new $2 million pedestrian shopping mall is only part of the story of progress in an all-out campaign to make the town as attractive as possible to new and existing industries. Other facets are an industrial park, a new high school, library and hospital and a doubling of water and sewage capacity. The town of 7,000 had a long history of nonfarming job opportunities to build on, beginning with its origin as a railroad coaling station. But recent years brought problems, too. A long-time strategic advantage, in addition to the railroad, was the town's location on the main highway between Atlanta and Greenville, S.C. So it was a serious setback when a new interstate route connecting those cities was built 17 miles south of Toccoa in 1964. It was then that community leaders, determined not to let their town wither, launched a drive to keep it alive and thriving.

PHOTOS: LEVITON—ATLANTA

Have sign

Have sign

Have signs

These signs are forceful testimony to what's happening as Toccoa keeps expanding its industrial base. The town's growth, incidentally, saw a unique bit of industrial history: One manufacturer trained welders by having them build employee housing with double walls of four-by-eight steel plates. The structures are prized by present owners.

Productivity:

Everybody says you need it; how do you get it?

Businessmen, government officials, politicians, economists and labor leaders have been salting their speeches for months with a simple, 12-letter word: Productivity.

Businessman call it the key to the economy's recovery. Government officials claim increasing it can help lick inflation and enable the United States to compete more efficiently in foreign trade.

Politicians such as Sen. William Proxmire, chairman of the Joint Economic Committee of Congress, say "productivity is the name of the game" and urge a national drive to lift it. Economists study their data, trying to pinpoint why its growth was disappointing in the late 1960s and what can boost it in the '70s.

Union leaders in such industries as steel, rubber, construction and rails have begun reluctantly to accept the concept that something must be done about it, but emphasize the "human" problems in attempting to boost it.

What's so important about productivity?

Why is raising it viewed as such a key to the nation's economic prosperity?

What is it, anyway?

Actually, productivity is a simple concept. It's a measurement of the amount of goods and services a worker can produce in a given period—usually measured in hours. Or, more simply, output per man-hour.

If productivity lags—as it has in the United States during the last few years—wage increases (which have mushroomed during the same period) are added entirely to the cost of the product, thus further fueling inflationary price increases.

If, for example, workers get a 10 per cent pay hike but don't raise their output of widgets by a tenth, it's inflationary. The employer's costs are pushed up and he's under pressure to raise prices to cover the higher costs.

On the other hand, if after the 10 per cent pay raise the workers produce 10 per cent more widgets, it's a noninflationary situation.

One of the problems in talking about productivity is that it's so frequently an intangible. The figures the Labor Department publishes about national productivity trends seem hard to relate to a particular industry, factory or work situation.

"Productivity," Secretary of Labor James D. Hodgson says, "has all the pizzazz of a wet mop."

The need to improve productivity became apparent as trends emerged in the economy in the late 1960s. From 1950 to 1966, productivity in the United States rose at an annual rate of 3.1 per cent. But in the following four years, it averaged only a 1.7 per cent raise.

What the experts say

Economists say a sag in productivity during the "mature" part of a business expansion (the situation in the late 1960s) is common. Profits are good, sales strong, managers and workers let up, inefficiencies creep in, wage demands take off and productivity falls. It's a natural phenomenon of the business cycle, the explanation goes.

In support of that, they point out productivity has bounced back in the first full year of economic recovery, registering a healthy 3.6 per cent raise for 1971. The business cycle theory is that in the early stages of economic expansion, management and labor have "got religion," trimmed excess staffs and costs, held wage demands in line and knuckled down to improve business.

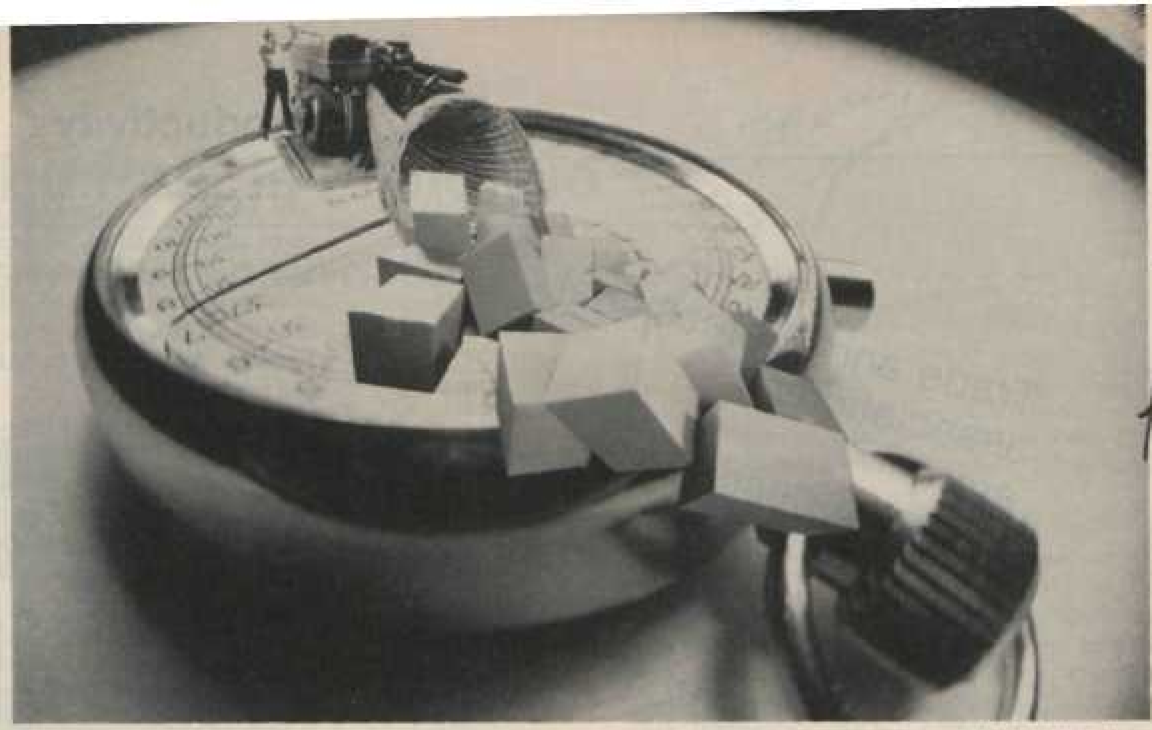
The most recent readings of national productivity seem to confirm the recovery theory. After slumping in the first quarter of 1972, productivity jumped to a 6 per cent gain for the entire private sector of the economy in the second quarter. That's almost double the long-term trend.

But despite the sharp pickup that corresponds to the cyclical movement of the economy, many economists and businessmen feel the dismal showing of the late 1960s was more than a cyclical problem.

Leon Greenberg, former executive director of the National Commission on Productivity, has said:

"There are fluctuations in productivity performance related to the business cycle, but those four years (1966-70) were poorer than we would have expected even after taking into account the low rate of increase in the gross national product."

What some observers fear is that productivity in the United States has been affected not just by the business cycle, but by changes in work atti-



figures have

MONTAGE: BARRY BLACKMAN

tudes and values, the structure of the economy, business profitability and research and development. It is on a long-term downhill slide, particularly when compared with foreign competitors.

While U.S. increases in productivity were dawdling along at rates under 2 per cent from 1966-70, Japan's average annual increase in the same period rocketed ahead at better than 14 per cent. The Netherlands logged 8.5 per cent gains; Sweden, 7.9; Belgium, 6.8; France, 6.6; West Germany, 5.3 and Italy, 5.1. Such figures help explain last year's U.S. trade deficit—the first since 1893.

Though U.S. productivity has shown a recent strong recovery, it's clear changes will be needed to keep up the improvement.

Most estimates say the quality of the labor force accounts for only about 20 per cent of improved output. The rest comes from capital investment, new managerial methods and advanced technology—three areas the United States has always excelled in until recently.

Many blame the U.S. performance in productivity during the last few years on lower capital investment for the new facilities that play a key role in spurring worker output.

How low profits hurt us

There's a rough correlation, for example, between a nation's high productivity and its capital investment. Japan's capital investment has hovered around 27 per cent of its GNP. The comparable figure in the Netherlands and West Germany is about 20 per cent, while the United States is near the bottom of the list of industrial nations with 13 per cent.

Why has U.S. capital investment sagged?

"First and foremost, inadequate profits," said Robert S. Ingersoll, former chairman and chief executive officer of Borg-Warner Corp., in a speech before retiring to become U.S. Ambassador to Japan.

During 1965 to 1971, while GNP rose 53 per cent, corporate profits after taxes increased just 2 per cent. At the same time, employees' compensation rose 63 per cent.

Such figures help explain why businessmen are cheered by the strong gain in 1972 corporate profits.

One obvious handicap the United States has faced with foreign competitors is plant facilities. Many countries, their manufacturing capability almost completely destroyed in World War II, have been able to use the most modern, efficient equipment in rebuilding. The United States simply couldn't afford to junk overnight its vast industrial complex. It had to replace facilities over a long period of time.

Research and technology lagged, too, in recent years, partly because of general economic conditions.

Another major roadblock to raising this country's productivity is the increasing role services play in the economy.

At the end of World War II, about 45 per cent of total employment was in the services field. Today, about 60 per cent of the work force is in service jobs.

Why do these increasing numbers of service workers bode ill for productivity increases? The simple answer is the difficulty in measuring efficiency and from this developing new methods or machines to increase output.

How, for instance, do you measure the productivity of a teacher? Or a surgeon? There are no assembly lines, no products to use as a measuring rod. Too, current productivity statistics do not take into account quality of performance, or desirability and usefulness of the service.

Some economists disagree that growing employment in the service sector automatically means productivity will lag in the '70s.

Martin R. Gainsbrugh, for example, believes there are several developments that should help improve services' efficiency.

For one, more larger companies are entering service industries, bringing economies of scale, greater capital and management skills which have helped boost output in the goods-producing areas.

In any discussion of productivity, the role of the individual worker—his education and motivation—bulks large.

Many blame some of the productivity problem in the United States on a decline in the traditional American work ethic.

And unquestionably attitudes toward work are undergoing change. Disturbing symptoms include: Good

Productivity

continued

jobs unfilled despite high unemployment and qualified workers; a poor quality of workmanship; high turnover rates, incidences of sabotage and the use of drugs. There is talk of alienation and boredom. Absenteeism has increased.

Why has the dedication to work in the United States sagged in recent years? The guesses proliferate: Too much affluence. Too few hard times to make young workers appreciate a job. Downgrading of manual work.

Technology comes in for some blame, many economists feel. Work has been broken down into small steps performed by one worker in the name of efficiency.

It makes for tedium for legions of white collar workers as well as blue collar employees.

As economist Henry C. Wallich puts it: "Work used to be backbreaking for millions of workers; now it's mind-boggling."

Or, as labor representative Nat Weinberg, director of special projects and economic analysis for the United Auto Workers, says: "We've created more jobs for imbeciles than there are imbeciles."

Both in the same boat

"Productivity is one area where labor and management have strong mutuality of interest," says Jerome M. Rosow, of the Public Affairs Department of Standard Oil of New Jersey. But Mr. Rosow, who served as Assistant Secretary of Labor earlier in the Nixon Administration, notes that despite this "labor and management often work at cross-purposes."

Some believe that in labor-management negotiating, productivity bargaining could lead to expanded mutual cooperation. This basically involves labor giving up old work rules for new, more efficient methods in exchange for a share of gains from increased efficiency.

Mr. Rosow suggests, however, that there are some broad areas that need attention if people are to be motivated and the productivity game won. Says he:

"Economic rewards, personal job satisfaction and future opportunity are three basic elements that turn people on. Failure and frustration turn them off." —DAVID MCLEAN

Misc jumbo file

The Past Is Prologue

Forty years ago in Nation's Business

(established 1912)

Have

Have

A column on the business outlook published in NATION'S BUSINESS in September, 1932, had this to say about the economy:

"Automobile output slackened, despite price cuts. Steel and pig iron production made new lows. Car loadings shrank. Failures were heavy in number and liabilities increased. Building was slack and lumber depressed, but continued curtailment in production in the latter industry kept stocks down. The petroleum industry again lowered crude production. . . ."

Yes, if you're edgy about inflation and unemployment these days, a glance at that September, 1932, edition of NATION'S BUSINESS seems to say that the U. S. economy has weathered some mighty rough seas and has had the buoyancy to ride them out.

An editorial during the darkest days of the worst depression ever to strike the United States urged businessmen to throw off the "defeatist psychology" and repudiate "the notion that this nation has reached the end of its commercial and industrial progress."

Bernard M. Baruch, in the featured article in the issue, told readers that "Federal Taxes Can Be Cut a Billion," a lesson Congress still seems loath to learn. Mr. Baruch, who died at age 95 in 1965, had a long career in business and government service that made him uniquely qualified to take government to task for its spending.

The confidant of Presidents saw the cutbacks as the joint task of the legislative and executive branches of the federal government and declared: "A cut of a billion dollars not only is possible, but essential to business recovery."

Other business leaders of the day agreed, in an article entitled "Business Leadership Wars on Government Waste." Alfred P. Sloan, chairman of General Motors Corp., said: "The government must stop waste, cut out every dollar of unnecessary expenditure."

Many of the articles appearing 40 years ago seem to re-echo in 1972 headlines.

One asked if the five-day week was wise and advisable—to help the country out of the depression. Today the four-day week is much talked about.

Earnest Elmo Calkins of Calkins and Holden Advertising Agency pondered the future of advertising. Walter Hoving, vice president and general sales manager of Montgomery Ward & Co., expressed the opinion there would be no advertising agencies in 10 years, but "departments of merchandising." Today, advertising again faces a changing future.

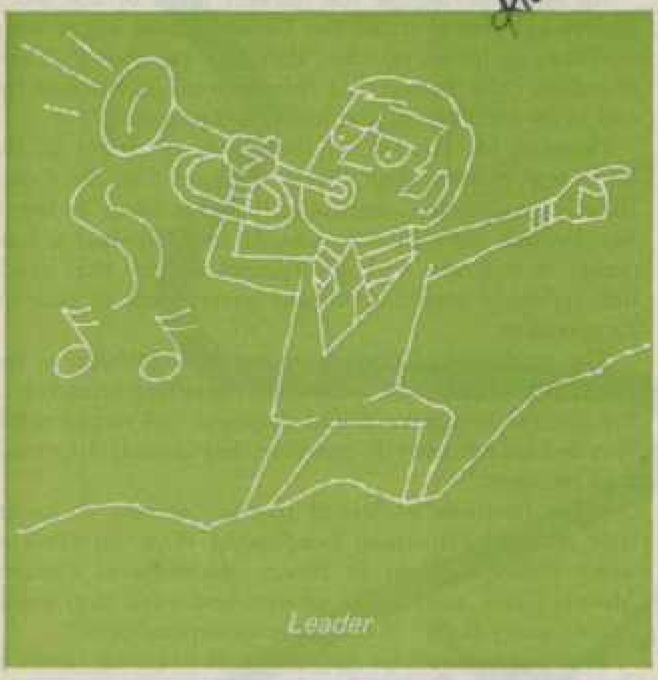
And just as business today worries about the consumer, the business community of 1932 was, as one article put it, "Stalking the Fickle Consumer." In a very real sense, it pointed out, "the hand that rings the cash register rules the world of business."

Traits That Will Take You to the Top

Do you hope to be the successor to a successful executive? Here is the way some of them describe the qualities they want to see—or not to see—in people moving up through the ranks

Have

File



Leader

What do top company officers look for in picking successors, or candidates for major promotion in their firms? What traits turn them off?

A NATION'S BUSINESS survey compiles a long list of positive factors that such executives think a successor should have. Intelligence, drive, willingness to work hard and leadership capabilities are some of the traits most frequently mentioned.

On the negative side, many say the "poor personality" syndrome—defined by one savings and loan association president as "arrogance, know-it-all attitude and lack of patience"—doom an otherwise capable subordinate from moving higher in corporate ranks. Stupidity, impulsiveness, poor judgment and lack of integrity are also widely viewed as the kiss of death.

T. Vincent Learson, chairman of International Business Machines Corp., Armonk, N.Y., looks for "an intelligent person, who is people- and results-oriented and has the capacity to lead others." On the negative side, Mr. Learson thinks "indecisiveness, business immaturity and a person who lacks the courage of his or her convictions" are things to watch out for.

"Judgment, leadership, intelligence, rationality and technical competence" rate high as vital qualities for Franklin A. Cole, president of Walter E. Heller International Corp., Chicago, Ill. "Less-than-broad integrity, rashness and unwillingness to accept responsibility" stand out on the minus side, he thinks.

An aspiring executive "should have a good track record of managerial and supervisory effectiveness," comments Joseph L. Gray, president of Gray Manufacturing Co., Inc., St. Joseph, Mo. Also, Mr. Gray says, he should be "hungry, ambitious, stable, hard-nosed" and should have an "understanding of people and of economic principles."

A serious health or family problem, and lack of integrity, perspective or sense of direction are traits he wouldn't want in a candidate for a major promotion.

"A broad, general knowledge of the industry, ability to manage people and the sense of need for social and community involvement," are three top positive criteria in the mind of Louis W. Menk, chairman of Burlington Northern, Inc., St. Paul, Minn. He adds that "a difficult personal life, inability to delegate authority and being a specialist never involved in general management" would count against an aspirant.

"The most important attribute," remarks Rodney C. Gott, chairman of AMF, Inc., White Plains, N.Y., "is a very general one and also the hardest to find. That is that intangible quality of leadership. It involves intellectual energy, curiosity, consideration of others and a sense of humor. Too many times, men reach the top and wear the epaulets, but there is no true leadership underneath."

High on the list of Winston V. Morrow Jr., president and chairman of Avis, Inc., Garden City, N.Y., is "the ability to make fast decisions only after complete review of the facts." He also rates "innovation (a strong requisite in a service industry) and the ability to motivate subordinates" as highly desirable traits. "Indecisiveness, resistance to new concepts and inaccessibility" can hurt the chances of a man in line for a promotion, he says.

"Bulldogs, not Pomeranians"

F.T. Blake Jr., president and treasurer of Geo. F. Blake, Inc., Worcester, Mass., prefers candidates with "a lot of drive" who are "self-starters." He says: "I want bulldogs, not Pomeranians." He adds: "I want no 'yes' men. I want constructive idea men. I want leaders, not drivers. I want loyal, honest, trustworthy believers in the free enterprise system."

Walter E. Hoadley, executive vice president of the Bank of America, San Francisco, Calif., makes this statement: "The major attributes for executive leadership in the years ahead will be optimism, a sense of balance between profitable and social performance, a

broad understanding of both economic and social forces in the world as well as the national economy, ability to lead while reacting quickly to changing conditions, and an acute sensitivity to changing human values and personal needs of customers and employees."

Anyone considered for a major promotion, Mr. Hoadley says, "should not be inflexible in his opinions, too authoritative in dealing with subordinates, destructively critical or without principled convictions."

Like many executives responding to the survey, F. Ritter Shumway, honorary chairman of Sybron Corp., Rochester, N.Y., thinks a prime qualification is the ability "to get along with and handle people." Being "technically skilled, sincere, credible and factual also are important," he says. Chief drawbacks, in his mind, are "arrogance, being impressed with status symbols, and impetuosity."

John W. Eckman, president of Rorer-Amchem, Inc., Fort Washington, Pa., thinks a good managerial prospect will be adept at handling problems. "He should have the ability to perceive the fundamentals and to reach a creative solution," Mr. Eckman says, "and the far-sightedness to anticipate the problem." An inability to get along with people and "inflexibility" are basic deficiencies for the up-and-coming executive, he says.

One positive attribute would be "a total commitment to the interests of our stockholders," comments M.A. Ellsworth, president of Fluor Corp., Los Angeles, Calif. "Another would be the ability to understand the rapidly changing economic-social environment in which the company operates. We would not want a person too preoccupied with very short-run, apparent results when they might conflict with the long-run best interests of the corporation."

O.E. Scherer, president of Associated Baby Services, Inc., New York City, seems to come as close as any one executive in summing up what businessmen look for in subordinates. "Drive, a progressive attitude, demonstrated sound analytical judgment, and demonstrated ability to motivate others constructively" are his positive factors. Characteristics to avoid are "poor judgment, lack of confidence in self, company or peers, and lack of understanding of others' needs."

Arnold C. Greenberg, executive vice president of Coleco Industries, Inc., Hartford, Conn., says his company looks for "intensely hard-working" managers who have "entrepreneurial instincts, aggressiveness, loyalty." Traits that are not desirable include "a low golf handicap and a desire to leave work at 5 or 5:30 p.m."

"Leadership capabilities" rate high with John H. Lumpkin, chairman of South Carolina National Bank, Columbia, S.C. He says: "Obviously, such an individual must have a good solid intellect, but he doesn't have to be brilliant; I much prefer common sense."

"No booze"

"Smart, experienced, a 'people-related' man," fills the bill for C.M. Hoover, chairman and president of Roper Corp., Kankakee, Ill. He emphasizes: "No booze and no 'big spender' image."

"High character and integrity" is a quality J. Henry Smith, president of the Equitable Life Assurance Society of the United States, New York City, looks for. Also important are the ability "to adapt to new situations, quickly grasp essentials of new problems and deal with people."

Haar

DRAWINGS: CHARLES E. DUNN

Non-leader

On the negative side, Mr. Smith thinks lack of the above qualities would hold an aspiring executive back.

Franklin Briese, chairman of the Minnesota Mutual Life Insurance Co., St. Paul, Minn., rates "the necessary courage (guts) to make vital decisions for the good of the company" as one of the most important attributes in a successful manager.

Some answering the survey reduce the requirements to short phrases: The head of a Midwestern manufacturing concern says a successor should have a "sales personality and humility." A Connecticut banker calls his ideal candidate a "progressive conservative."

In listing traits that turn them off, many top officers rule out managers who strike them as too complacent, lazy, timid, careless or "soft-minded." But at the other end of the personality spectrum, an equally large number say the overly aggressive, abrasive, self-centered egotist whose personal ambition exceeds his loyalty to the company is not their cup of tea either. Business is basically a team effort, they seem to be saying.

There are some humorous notes in the survey.

The head of a contracting firm has a quick, efficient way of weeding out possible successors. "No long hair," he says.

And one company president comments, without listing any things he looks for in a successor: "The son of the chairman will succeed me as president." END

REPRINTS *of "Traits That Will Take You to the Top" may be obtained from Nation's Business, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.*

Have

Elections Guide • 1972
Detailed election data on the 50 states; includes voter registration, absentee balloting and candidate filing information, state and federal offices subject to 1972 elections; names of governors and U.S. senators up for election, political party makeup of each state's congressional delegation, electoral college votes for each state. This 10-page document is handy for mass mailings to employees or as an insert in company magazines or newsletters.

Have

Guide to Absentee Voting in Presidential Elections: in the United States and Overseas
A guide especially for U.S. business and professional people working abroad and for those who will be traveling here or overseas on election day; forty pages of background on the right Americans have to vote in the Presidential election; tells how, when and where to file applications for registration and absentee voting privileges, plus sample application form. Every U.S. overseas office or plant installation should have a copy of this document.

Have

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Action Course in Practical Politics
In seven sessions, this nonpartisan discussion course motivates citizens to get involved and trains them to be effective in support of candidates for office and participation in the party of their choice. Approved by leaders of both major political parties. One or two two-hour sessions a week; particularly adapted for corporate sponsorship for employees.

Have

It's Up To You In '72
This dramatic 20-minute color slide presentation serves as an alert to the American people on the importance of the 1972 elections. It encourages citizens to vote and to work actively for candidates of their choice and with the political party they favor. Designed for business and professional groups; also useful for employee groups.

BUSINESS | A LOOK AHEAD

BY GROVER HEIMAN
Associate Editor

AGRICULTURE

By 1980, as much as 8 per cent of the red meat we eat may not be red meat at all.

That's the prediction of the Agriculture Department's Economic Research Service, which concludes that use of soybean proteins in processed meats has a healthy future.

Should it rise to the high side of estimates for 1980, the Department says, this would be the annual equivalent of 4.1 million cattle and calves, 8.4 million hogs and 757,000 head of sheep and lambs.

But the Department adds that even if this level of substitution becomes fact, U.S. producers will still have to provide 10 per cent more red meat than is now being processed, in order to satisfy demand.

CONSTRUCTION

It seems almost a certainty that NIBS will get through Congress this term, and in a couple of years be recommending nationwide standards for building codes.

The National Institute of Building Sciences is proposed under what would be the Housing and Urban Development Act of 1972.

The bill's backers see NIBS, a nonprofit, nongovernment organization, as a badly needed tool to bring conformity to the present plethora of building codes that vary throughout the nation. While the organization would not have binding legal authority, proponents believe that federal, state and local government agencies would welcome and adopt its standards.

NIBS would receive $5 million annually for the first two years of its operation, $3 million for the next two, and $2 million for the fifth. After that the organization would be self-supporting through contracts with private industry and government.

CREDIT AND FINANCE

Starting this month, about $2 billion less will be floating around in banking circles as a result of new check collection rules.

All commercial banks that are Federal Reserve System members will now have to pay the Fed, for checks collected through its facilities, in immediately available funds on the day presented.

The change takes place Sept. 21.

In the past, a number of days' delay has been the rule for outlying banks. In effect the Fed has been extending them cost-free credit.

The check payment speedup will have the greatest impact on such banks; it may reduce the amount of funds some can invest.

In a trade-off, the Fed dropped the smaller banks' demand-deposit reserve requirement by a percentage point, thus making an estimated $400 million more available for investments.

Also, the Fed will waive penalties on certain deficiencies in reserves for periods of up to 21 months and will lend money to member banks needing temporary credit during the period of adjustment to the new collection schedule.

FOREIGN TRADE

Businessmen anticipate significant changes in application of the Countervailing Duty Law, to match a surge in government action against foreign firms that "dump" goods here at prices lower than those charged in countries where they're produced.

The law, little applied in the past, provides for additional levies on dutiable imports when the Secretary of the Treasury finds that the country of manufacture has given the producer a bounty or grant.

The most likely major change is a shorter federal government reaction time on suspected violations. Now the investigative cycle is invariably lengthy and, after an order has been published, there are 30 days of grace in which more goods can slip in under the wire and escape additional duty.

Business organizations are urging a 90- to 120-day maximum for action after a complaint is submitted, plus a halt to customs processing once a prima facie case has been made. The same freeze procedure is used in antidumping cases.

MANUFACTURING

The further penetration of electronic technology into manufacturing is going to be accelerated by LSI's—large scale integrated semiconductors.

These small (one-eighth of an inch) silicon devices that contain from several components to many thousands constitute the fastest growing section of the semiconductor and integrated circuit market.

Sales in 1971, it's estimated by Arthur D. Little Co. analysts, came to $150 million. Other industry sources say that about two thirds of the total were metal oxide silicon semiconductors, and that annual sales of this type should reach the $450 million range within five years.

Extensive use of LSI's is expected not only in computers and calculators but in such consumer goods as typewriters, cameras, electronic organs, radios, TV's, watches and clocks. Also, manufacturers of electromechanical tools and similar apparatuses are likely to employ them in timers, switches, sorters and controller units.

MARKETING

The fad for organic food—agricultural products untouched by inorganic fertilizers or pesticides—is in for closer government scrutiny.

Under Secretary of Agriculture J. Phil Campbell had this to say recently on the subject:

"We doubtlessly have a considerable amount of fraud in two respects: There is the sale of much more such food than is produced under the conditions prescribed for so-called inorganic food, and advantage is taken of buyers by setting abnormally high prices when in some cases the elimination of processing costs may actually warrant reduction of prices."

Many reputable businessmen in this field are skeptical about the availability of such foods in the quantities being sold. They note that it is very difficult to economically raise potatoes, fruits and grain crops without using chemical pesticides and fertilizers.

In some cases these are absolutely necessary, and in others they are at least needed insurance against crop failure, the skeptics say. Without them—unless Mother Nature is unusually kind to the organic food farmer—salable production per acre plummets.

NATURAL RESOURCES

If geological formations are to be believed, the so-called "energy crisis" could be solved in our own back yard.

According to a U.S. Geological Survey report, there's indication of ample coal, petroleum, natural gas, uranium, geothermal energy and oil-from-oil-shale resources in the 50 states and offshore on the continental shelves.

The vast bulk of these potential resources are categorized as "submarginal" or as "undiscovered." The latter are estimated on the basis of favorable rock formations.

To tap these resources would—assuming they really are there—require great advances in search and extraction technologies, plus economic incentives, say Survey officials.

The study theorizes that there are 3,200 billion tons of coal, with 200 billion to 390 billion tons already identified and deemed recoverable. Liquid petroleum resources are believed to be about 2,900 billion barrels, with 52 billion identified and recoverable.

For natural gas, the report shows 6,600 trillion cubic feet possible, with 290 trillion cubic feet for sure.

There's a potential of 26 trillion barrels of oil from oil shale, the report says, and once methods are developed that make extraction price-competitive, between 160 billion and 600 billion barrels would be considered identified and recoverable.

TRANSPORTATION

Those heavy-duty diesel trucks that businesses will be operating a few years from now may be as quiet as today's passenger cars because of a government-industry program.

The Department of Transportation has awarded $1 million in development contracts to companies that manufacture 45 per cent of such trucks.

They in turn will provide $650,000 in goods and services in hopes of solving what Transportation Secretary John Volpe calls "one of the most disturbing highway problems we face today."

With the Department of Transportation confident that the solution to the tire noise problem has been found, the new focus is on engine noise. Under terms of the nonprofit, cost-sharing contracts, Freightliner Corp., International Harvester and White Motor Corp. will identify significant noise sources on their vehicles and design "noise reduction fixes" during the next 12 months. Then the trucks will be tested by customers in regular commercial service for a year.

The goal is to halve the noise level of today's big diesels, so that they will generate no more noise than a passenger auto now does at 65 miles per hour on a freeway.

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Editorial

Hooray for Washington!

Here's one Washington decision we can wholeheartedly applaud.

It's a decision by Walter E. Washington, mayor of Washington, D.C.

He has ordered all D.C. government agencies to hold their budget demands for the fiscal year beginning next July to about the same level as this year. Otherwise, he warned, the city's budget will run a substantial deficit, just like Uncle Sam's.

It would be wonderful if we could applaud all the officials who run the federal government in Washington for making similar decisions.

IS YOUR VIEW OF BUSINESS INSURANCE OUT OF FOCUS?

YOUR USF&G AGENT CAN HELP SHARPEN IT.

Your USF&G agent is a true insurance professional. He's an independent businessman of the highest caliber... one you can trust for competent, personalized counseling that helps protect so much of what you value. Business coverages? From pensions to fire and commercial multi-peril insurance. From group accident and health insurance to fidelity and surety bonding. From office buildings and factories to warehouses and retail stores. Your USF&G agent can cover them all... along with other insurance plans for businesses and individuals alike. Consult him with confidence as you would your doctor or lawyer. Your USF&G agent... listed in your Yellow Pages. Call him for a sharper view of insurance for your protection.

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